ATTIEH STEEL CO.

Finance

Policies & Procedures

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Mohammed Al Madi	*Internal Audit Director*

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II TABLE OF CONTENTS

III INTRODUCTION

- The purpose of this document is to present the policies and procedures of the Accounting Function.
- This Manual is built on the following Positional Organization:

IV GLOSSARY OF TERMS

- **Chart of Accounts:** The structure of the Company accounts. Chart of Accounts should be arranged in the same sequence in which they appear in the company's Financial Statements, Asset accounts should be numbered first, followed by Liability accounts, Owner's Equity accounts, Revenue accounts, Cost of Sales and Expense accounts.

- **Chart of Accounts Maintenance:** A form used to maintain the accounts or the structure of the Chart of Accounts.

- **Manual Journal Vouchers:** Manual Journal Vouchers are defined as any Journal Vouchers that will be directly entered to the general ledger module and not imported from a sub-ledger module.

- **Recurring Journal Entries:** Repetitive journal entries. These could be electronically handled to re-process the same accounts and amount or accounts only on a defined period of time.

- **Allocation Journal Entries:** Journal entries used to allocate amounts to different accounts.

- **Adjusting Journal Entry:** Journal Entries made at the end of each accounting period (month, quarterly) to recognize transactions that have occurred prior to the statements' issue date, but which have not yet been recorded in the journal.

- **Posting Journal Vouchers**: the process of transferring the journal entries (after being reviewed by the Accounting Team Lead) to the General Ledger in order to affect the main and sub accounts.

- **Sub-Ledgers:** the sub-system in which transactions are first recorded, as soon as a business transaction takes place; it is recorded in the sub-Ledger. Example inventory, payables, receivables, fixed assets, etc.

- **Sub-Ledger Exporting to General Ledger:** The process of exporting or transferring the sub-ledger transaction (generated in the sub-ledger modules) to the general ledger.

- **General Ledger Importing:** The process of importing financial transaction that are generated by the sub-ledger to the general ledger.

- **Reconciliation:** The process of ensuring that the financial transactions are properly recorded in the financial system. This is achieved by matching the sub-ledger transactions with the supporting documents and matching the sub-ledger transactions with the general ledger transactions.

- **Fiscal Periods:** The calendar adopted by the Company, which is used as intervals for recording financial transactions and reporting purposes.

- **Financial Reports:** The financial statements which include the Balance Sheet, Income Statement, Statement of Cash flow, And statement of retained earnings.

- **Accounts Payable:** A short-term Liability (debt) incurred from the purchase of inventory

- **Accounts Payable Accountant:** This Position will be responsible for processing all payment according to received invoices, analyzing invoice discrepancies, processing prepayments and petty cash reimbursement, creating the debit / credit note whenever needed, preparing the stop payment form; this function will be reporting to the Accounting Manager.

- **End User Expenses**: Are payment incurred by the employee (usually during travels), and is business related. The categorization of the User Expenses should be documented and published by the Human Resources Function.

- **Invoice Overcharged:** This means invoices received with overcharge amount (more than the Company should pay).

- **Invoice Undercharged:** This means invoices received with undercharge amount (less than the Company should pay).

- **Purchase Order**: This report will be generated by the Company Purchasing Function; this will show the items specifications, price, quantity, etc.

- **Petty Cash Reimbursement Form:** This form will be used by the petty cash custodian whenever petty cash amount remained is less than 75% in order to reimburse the petty cash amount.

- **Payment Voucher:** This voucher will be used to disburse payment from the Company accounts after validating received invoice or request; this will be handled by the Accounts Payable Accountant.

- **Payment Method:** This mean the payment will be used for disbursement, example Hard Cash, Cheque, Bank Transfer or Letter of Credit; this will be handled by the Accounts Payable Accountant.

- **Receiving Report**: This report is generated by the receiver (warehouse, requester department), this report will show the acceptance or rejection or received items or services.

- **Stop Payment:** This is used whenever the Company need to stop issued payment for clearance reasons; this will be managed by the Accounting Manager.

- **Supplier Invoice**: Is invoice issued by the supplier addressed to the Company Accounts Payable Accountant in order to process payment for received items or services; the invoice should be compared with the Company Purchase Order and Receiving Report.

- **Accounts Receivables**: A balance showing the amount of money originated from goods sold on credit basis; this represent the money due to be paid to the Company by customers.

- **Aging Report:** A report showing the history of due receivables arranged in time buckets, example due less than 30 days, due from 31 to 60 days, due from 61 to 90 days, etc.

- **Assessment of Credit Customers:** The analysis of quantitative and qualitative factors of prospective customers, where a decision to grant (or not) credit facilities is taken.

- **Collection:** The process of collecting money from customers against invoices issued by the Company; collection should be made against a receipt issued to the customer.

- **Credit Application:** An application form used to log all available information related to the prospective credit customer.

- **Credit Committee:** A committee formed to assess the credit application whenever the information in the Credit Application is not enough.

- **Customer Creation:** Creating customer master file in the system, including key and informative data.

- **Customer Invoice:** A formal document issued by the Company showing a list of the items sold to customer, as well as other supporting details.

- **Credit Memo:** A formal document issued by the Company showing an adjustment to the balance of the customer. Credit Memos decreases the recorded revenue of the Company.

- **Credit Policy:** The rules that dictate the mechanism and approach for granting credit to customers.

- **Customer Record:** Is the electronic file that includes all customer information and is retrieved whenever needed for business transaction with the customer.

- **Customer Statement:** A formal document prepared by the Company showing the status of customer account, example customer credit limit, payment dates, payment received, and outstanding balance.

- **Doubtful Accounts & Write-offs:** Long outstanding debt not collected within a certain period of time, thus judged to be un-collectable, and to be cancelled from the financial books. As for doubtful debts, a percentage of the outstanding balance is to be provided for.

- **Reminder Letter:** A letter issued by the Accounts Receivables function to the customer on the overdue status of their balance. This should be prepared on regular time intervals

- **Risk Classes:** A grade that is given to credit customer as a result of risk assessment. This grade specified the level of risk associated with granting credit to the credit customer.

- **Capitalization of Fixed Assets Form:** This form will be used whenever fixed assets have been maintained or renovated and need to be capitalized.

- **Cycle Count:** a periodic count for specified number of assets.

- **Capital Expenditure Plan:** This plan will show budget of expenditure for items to be capitalized (Vehicles, buildings, machinery, etc.).

- **Fixed Assets Transfer Form:** This form will be used whenever there is a need to transfer an asset from one location to another.

- **Fixed Asset Count Committee:** This committee will be formed by the Executive Management Team decision, and should include members from Finance Function, Corporate Planning and Strategy Function, Commercial Operations Function, Plant Operations Function, and Human Resources & Administration Function

- **Fixed Assets Physical Count:** This is a physical count that should be pre-defined by the Fixed Assets Accountant for the Company assets (categories, departments, etc); this will be conducted twice a year as a general policy.

- **Fixed Assets Acquisition Form:** This form will be used whenever assets need to be purchased.

- **Fixed Assets Adjustments:** This means adjusting the assets' description, location, cost, depreciation, depreciation rate and net book value.

- **Fiscal Periods:** The calendar adopted by the Company, which is used as intervals for recording financial transactions and reporting purposes.

- **Financial Reports:** The financial statements which include the Balance Sheet, Income Statement, Statement of Cash flow, And statement of retained earnings.

- **Bank Account Signatory:** This means that this person will be authorized to open and close bank accounts and processing disbursement.

- **Bounced Cheques:** This means cheques been submitted to the specific bank account (customer, supplier, etc) but the account not covered enough to disburse the cheque.

- **Cheque Book Request:** This form will be used internally whenever there is a need to request for new cheque book after using the current cheque book.

- **Cash Box:** Cash box is the cash drawer managed by the Cashier Function.

- **Cash Flow Forecast Report:** This is a report that indicates the in-coming cash and paid (out-going) cash in order to state the cash position in the Company.

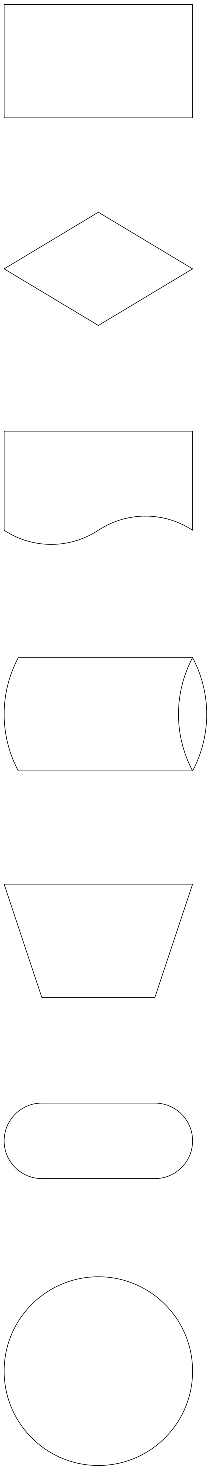
- **Daily Deposit Form:** This form will be used at the end of each working day for proper depositing in bank accounts; this will be handled by the Cash Management Officer describing the depositing criteria.

- **Daily Cash Position Report:** This form will be done on daily basis describing the Company cash position; covering all cash available in all bank accounts and in transit (to be deposited amounts).

- **Executive Management Team:** this team refers to the Company President, Vice President for Commercial Operations, and Vice President for Supply Chain Operations.

Leasehold Improvement: Amount paid on rented locations or items for appearance or performance improvement

- **Symbols (Shapes) used in the Work-Flow Processes:**



System Operation

Decision

Document – Report –
Event - Form

Data – In System

Manual Operation

Start / End of Process

Process

. V ACCOUNTING POLICIES & PROCEDURES

A. GENERAL LEDGER

1. Chart of Accounts Management Process

1.1. Purpose & Objective

1.1.1. The purpose of this policy is to set the controls and the guidelines used for adding, disabling or modifying the structure or the accounts of the Chart of Accounts.

1.1.2. The objective of this process is to ensure proper maintenance of the Chart of Account, through validation of the need by using the Chart of Accounts Maintenance Form, and obtaining the necessary approvals.

1.2. Input

1.2.1. The input of this process is the need for updating the Chart of Accounts through Chart of Accounts Maintenance Form and supporting documents.

1.3. Policies

Chart of Accounts Definition and Structure

1.3.1. The Chart of Accounts is the entity that includes the structure and values of the accounts used in the Company. The chart should have 5 Account types: Assets, Liabilities, Owner's Equity, Revenue and Expenses.

1.3.2. The company Chart of Accounts should be initially defined based on the reporting requirements of the company's different functions, the chart of accounts should at least maintain two segments with sufficient number of digits.

1.3.3. The Accounting System, which is supporting/serving the Finance department, should have the flexibility to reconfigure the chart of accounts segments, values, and segment length.

The accounts of the Chart of Accounts should be arranged in the same sequence in which they appear in the company's Financial Statements in accordance to the Saudi Organization of Certified Public Accountants (SOCPA).

1.3.4. Asset accounts should be numbered first, followed by Liability accounts, Owner's Equity accounts, Revenue accounts and Expense accounts.

1.3.5. The VP Finance should ensure using sub-divisions classification in the Chart of Accounts structure in-order to provide additional clarification, as needed. A sub-division among the Balance Sheet accounts should be designated from short term to long term, (i.e. short-term Assets should precede long-term Assets and current debt should precede long- term debt).

1.3.6. The VP Finance should ensure that the Chart of Accounts contains a brief description, which identifies the purpose of each account. The description should mention what is to be recorded in the account.

1.3.7. An example of an account definition:

Code	Account	Type	Description
1000	Assets	Parent	
1001	Cash in Checking	Child	Includes all cash held in the operating bank account. All withdrawals by check and deposits. The reported balances are supported by a bank reconciliation prepared on monthly bases
1002	Petty Cash	Child	Includes the petty cash and change fund held by the cashier. This account is used only when a new fund is initiated or an existing fund is terminated

Assets

1.3.8. Assets (Part of the Balance Sheet) include Short-Term Assets (Assets that will be used or converted into cash within a period of one year or less) such as cash, receivables, prepayments (insurance and rent, etc…) and inventory, as well as Long-Term Assets (Assets that are not expected to be converted to cash or totally "used up" in a year or less) such as equipment, land, buildings, vehicles, and tools (Property and Equipment).

1.3.9. Three characteristics must be presented in an item in order to be listed in the Company Balance Sheet as an Asset :

- The Company must control the item (Ownership)
- The Asset must provide probable future economic benefit that enables it to provide future net cash inflows.
- The item must have value that can be measured.

1.3.10. Assets have other characteristics, but those characteristics are not essential to the definition. For example, most Assets are exchangeable, legally enforceable, tangible, or intangible.

1.3.11. Intangible Assets are Assets that cannot be physically touched; they must still meet the three characteristics mentioned earlier in order to be listed in the balance sheet as an asset. Some examples of intangible Assets include trademarks, copy-rights, and patents, as long as they have been purchased from the prior owner of the business.

1.3.12. Once recognized, an Asset remains on the Company Balance Sheet until the Asset is exchanged for another or used to settle a liability, its future economic benefits are used up, or the Asset can no longer provide future benefits (obsolescence).

Liabilities

1.3.13. Liabilities (Part of the Balance Sheet) are Debts owed by a business. Liabilities can either be Short-Term or Long-Term depending upon when they become due. Short Term Liabilities are to be paid within a year such as Accounts Payable, Accrued expenses and the current portion of Mortgage Payable. Long-Term Liabilities extend beyond one year such as End of Service Benefits and the portion of mortgage which is due to be paid beyond the current year.

1.3.14. Three characteristics must be present for an item in order to be listed in the Company's Balance Sheet as a Liability:

- A Liability requires that the entity settle a present obligation by the probable future transfer of an asset on demand, when a specified event occurs, or at a particular date.
- The obligation cannot be avoided.
- The event that obligates the entity has occurred.

1.3.15. Liabilities usually result from transactions in which entities obtain economic resources. For example, trade payables results from purchasing products to be sold and raw materials; salaries and wages payable result from employment, and notes result from obtaining cash from lender. Other liabilities may arise from nonreciprocal transfers such as the declaration of dividends to the owners of the entity or the pledge of Assets. A liability may be imposed on the entity by government or by court system in the form of taxes (zakat), fines, etc.… A liability may arise from price changes or interest rate changes.

Owner's Equity

1.3.16. Owner's Equity (part of the Balance Sheet) is the difference between what is owned and what is owed; in the company, this amount belongs to the owners. The Owner's Equity is made up of the original and additional investments by the owner(s), plus any profit that is retained in the business (Retained Earnings), minus any cash or other Assets that are withdrawn or distributed (Dividends) to the owner(s).

1.3.17. The Items below give a summary of the <u>only</u> items that have an impact on the beginning balance of Owner's Equity:

- The owner(s) invest more in the company
- The Business makes a profit (Retained Earnings) or loss (Accumulated Losses)
- The owner(s) takes Assets out of the business.

Revenue

1.3.18. Revenue (Part of the Income Statement) is what the Company earned during a particular period of time from the sale of steel to customers. Revenue can come from several sources; the company can generate revenue from the sales of steel. Interest, dividends, royalties or any combination of these are to be considered as other income.

Expenses

1.3.19. Expenses (Part of the Income Statement) are the expenditures made to generate Revenue (the cost of Sales). Whether or not cash changes hands, the Company should incur an Expense as soon it makes a commitment to pay for a product or service. Example:

- Operational Expenses
- Employee Benefits and Expenses
- Selling & Distribution
- General & Administrative Expenses
- Depreciation Expense
- Financial Charges

Chart of Accounts Maintenance Activities

1.3.20. The Accounting Manager is responsible for The Company's Chart of Accounts maintenance activities that will apply to the values (accounts) of the Chart of Accounts or the structure of the chart.

1.3.21. The Chart of Accounts maintenance activities should cover both:

- Accounts Maintenance Activities:
    - Addition
    - Grouping (Parent / Child relation)
    - Disabling
    - Modification
    - Validation Rules
- Structure Maintenance Activities:
    - Addition (New Segment)
    - Modification (Modifying Segment Digits)
    - Segment Disabling

1.3.22. The Chart of Account maintenance activities should be performed and monitored by the Accounting Manager and executed by the General Ledger Accountant.

Chart of Accounts Maintenance Activity Supporting Documents

1.3.23. The Chart of Accounts maintenance activities should be supported by relevant documents as a justification for any applied maintenance on the Chart of Accounts; this is also needed for audit purposes.

1.3.24. The General Ledger Accountant is responsible for preparing, validating the supporting documents for any Chart of Accounts maintenance activity.

1.3.25. Supporting document to update the Chart of Accounts include (but not limited to):

- New Bank Account
- Letter of Credit
- New Branch
- New Department / Section
- New Cost Centre / Profit Centre

1.3.26. A recommendation from the IT Function or the application vendor should be sought before proceeding in altering the structure of the Chart of Accounts. This advice will be considered a vital supporting document for this maintenance activity.

Structure Maintenance Activities

1.3.27. Chart of Accounts structure maintenance activities should be handled with extreme care due to the consequences it creates on the Chart of Accounts and overall business transactions.

1.3.28. Consequences of any modification to the Chart of Accounts structure such as segment length or value should be immediately reflected to the Chart of Accounts values.

Chart of Accounts Maintenance Activity Form

1.3.29. For any Chart of Accounts maintenance activities, a 'Chart of Account Maintenance Activity Form should be filled by the General Ledger Accountant and submitted for approval.

1.3.30. In case of no transactions are made on a particular Account during the fiscal period, the General Ledger Accountant is responsible for filling a new Chart of Accounts Maintenance Activity Form to modify this account.

1.3.31. Available maintenance activity supporting documents should be attached to Chart of Account Maintenance Form before submitting for approval.

1.3.32. Chart of Accounts Maintenance Activity Form should cover the following attributes (but not limited to):

- Maintenance Purpose (Accounts, Structure)
- Maintenance Activity (Addition, Modification, etc…)
- Segment Name
- Account Name
- Account Number
- Account Combination (if any)
- Grouping Required
- Account Description
- Description of the Request
- IT Recommendation (for Structure Maintenance)

1.3.33. Correct account name, number, combination and description should be filled in the Chart of Accounts Maintenance Activity Form before the addition of an account to the Chart of Accounts.

1.3.34. Chart of Accounts Maintenance Form should be reviewed and validated for invalid combinations or wrong digits before forwarding it for approval. The General Ledger Accountant will be responsible to perform all necessary system checking for this purpose.

Chart of Accounts Maintenance Activity Validation and Approval

1.3.35. The Accounting Manager should review and validate the Chart of Accounts Maintenance Form, and perform the necessary validation checking before authorizing the maintenance process.

1.3.36. If the requested maintenance activity is to be applied against the structure of the chart of accounts, the VP Finance approval is required.

Applying the Maintenance

1.3.37. Once the Chart of Accounts Maintenance Form is approved, the General Ledger Accountant will be responsible to enter the details to the system.

1.3.38. Once a new General Ledger account is added to the Chart of Accounts, the Accounting Manager should verify whether financial statement accounts are affected by the new account. If they are affected, the Accounting Manager should update them immediately.

1.3.39. Once the Chart of Account Maintenance Form is approved, the maintenance activities on the system should occur within the same day at most.

1.4. Output

1.4.1. The output of the process is an updated Chart of Accounts through Chart of Accounts Maintenance Form. The Chart of Accounts should be maintained and checked regularly by the Accounting Manager.

1.5. Related Processes

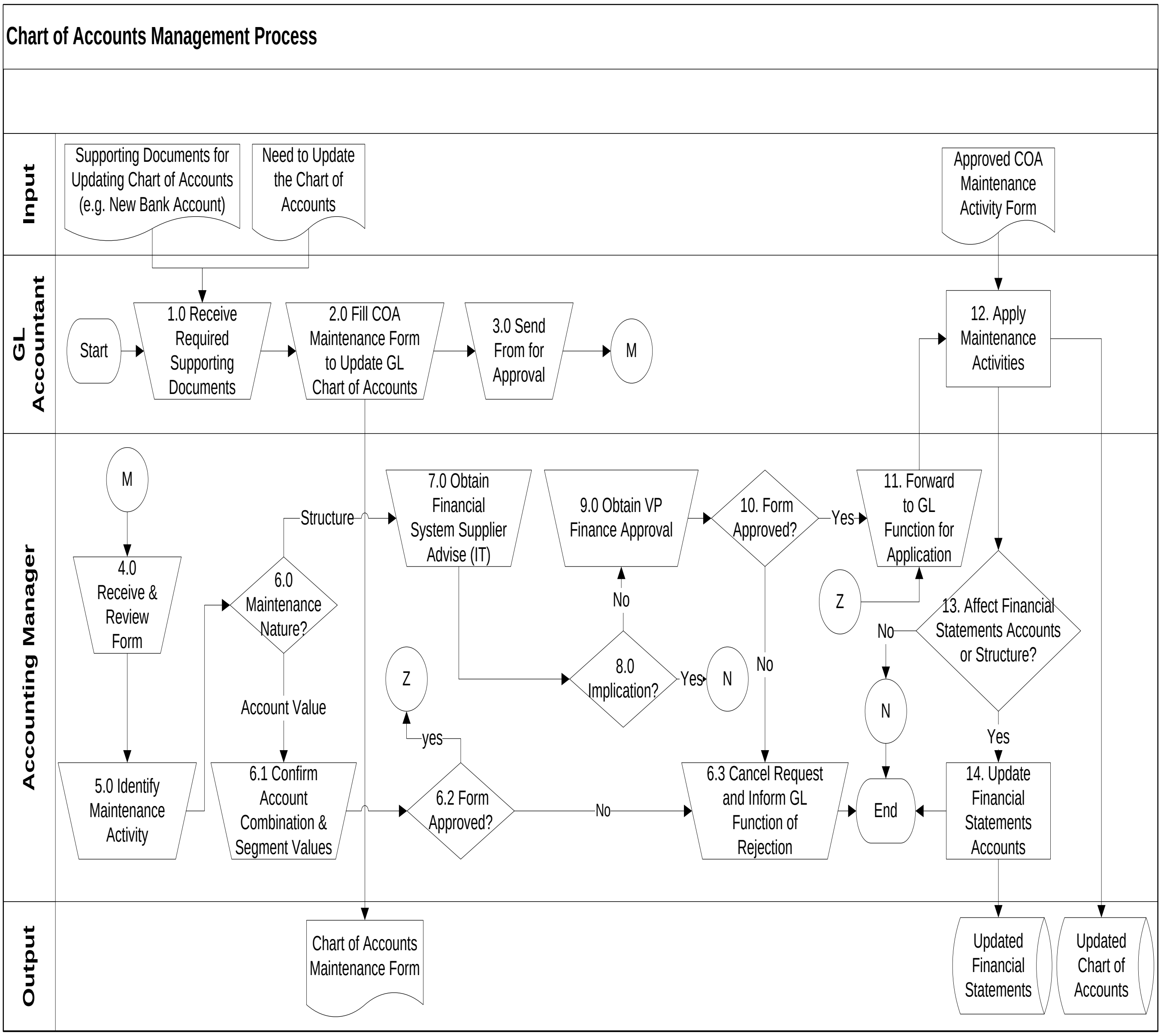
- None

1.6. Procedure

#	Step	Responsibility	Document
1.	Receive required supporting docs	GL Accountant	Supporting Documents
2.	Fill COA maintenance form	GL Accountant	COA Maintenance Form
3.	Submit COA maintenance form for approval	GL Accountant	
4.	Receive and Review COA maintenance form	Accounting Manager	
5.	Identify maintenance activity	Accounting Manager	
6.	Maintenance Nature? If account value go to step 6.1 If structure go to step 7.0	Accounting Manager	
6.1	Confirm Account Combination & Segment Values	Accounting Manager	
6.2	Form Approved? If approved go to step 11.0 If not approved go to step 6.3	Accounting Manager	
6.3	Cancel Request and Inform GL Function of Rejection	Accounting Manager	Rejected Maintenance Form
7.	Obtain Financial System Supplier Advise (IT)	Accounting Manager	
8.	Implication? If yes process end If no go to step 9.0	Accounting Manager	
9.	Obtain VP Finance Approval	Accounting Manager	
10.	Form Approved? If not approved go back to step 6.3 If approved go to step 11.0	Accounting Manager	

#	Step	Responsibility	Document
11.	Forward to GL Function for Application	Accounting Manager	Approved Maintenance Form
12.	Apply Maintenance Activities	GL Accountant	
13.	Affect Financial Statements Accounts or Structure? If no process end If yes go to step 14.0	Accounting Manager	
14.	Update Financial Statements Accounts	Accounting Manager	Updated Financial Statements

1.7. The Process Flow Chart



2. Manual Journal Voucher Process

2.1. Purpose & Objectives

2.1.1. The purpose of this policy is to set the controls and the guidelines used for directly entering Manual Journal Vouchers to the General Ledger.

2.1.2. The objective of this process is to enter Journal Vouchers to the General Ledger (whenever required) while ensuring proper validation, approvals and processing on a timely basis.

2.2. Input

2.2.1. The input of this process is the financial transactions that need to be recorded manually in the General Ledger (directly entered to the General Ledger).

2.3. Policies

Manual Journal Vouchers

2.3.1. Manual Journal Vouchers are defined as any Journal Vouchers that will be directly entered to the general ledger module and not imported from a sub-ledger module.

2.3.2. Manual Journal Voucher process covers only the activities related to recording vouchers directly into General Ledger and it should be restricted only for entries that can not be processed through Sub-Ledgers; i.e. payable or receivable.

2.3.3. The Accounting Manager is responsible for General Ledger posting, deletion of un-posted journals, reversal entries and modification into recurring and allocation entries.

Manual Journal Entry Supporting Documents

2.3.4. All manual journal entries must be supported by relevant documents to justify and validate the need for manual journal entry.

2.3.5. General Ledger Accountant is responsible for receiving / preparing and validating the manual journal entries supporting documents.

2.3.6. The supporting documents for manual journal entry include (but not limited to):

- Financial Reports (example accounts summary)
- Trial Balance (Adjusting Journal Entries)
- Instructions from the Accounting Manager/ VP Finance

Types of Manual journal Entries

2.3.7. Based on manual journal entries supporting documents received by the General Ledger Accountant, the relevant type of manual journal entry should be entered:

- Recurring Journal Entries
- Allocation Journal Entries
- Adjusting Journal Entries
- Closing Journal Entries

Recurring Journal Entries

2.3.8. Recurring journal entries that require manual entry to the general ledger should be processed as per Recurring Journal Voucher process, policies and procedures. Please refer to the Recurring Journal Voucher process mentioned in this document.

Allocation Journal Entries

2.3.9. Allocation journal entries that require manual entry to the general ledger should be processed as per Allocation Journal Voucher process, policies and procedures. Please refer to the Allocation Journal Voucher process mentioned in this document.

Adjusting Journal Entry

2.3.10. Adjusting journal entries must be utilized to correct account balances whenever needed, while strictly applying the necessary controls of the process. Adjusting journal entries include, but are not limited, to the following:

- Correction of posting errors

- Transfer of funds between The Company Banks
- Accrual of income or expense item
- Prepaid Insurance
- Interest Expense
- Accounts Receivable write-Off's

Entering Manual Journal Entries

2.3.11. The General Ledger Accountant is responsible for entering, reviewing, and validating the required manual journal entries before submitting it for approval.

2.3.12. General Ledger Accountant should notify the Accounting Manager (through the system) by the time of submitting manual journal entries for approval.

2.3.13. The General Ledger Accountant should ensure processing (entering and submitting for approval) the manual journal entries within 1 hour at most from the time of receiving / preparing relevant supporting documents.

Manual Journal Entry Approval

2.3.14. The Accounting Manager is responsible for reviewing and validating submitted manual journal entries prior to authorizing (or rejecting) the manual journal entries in the system.

2.3.15. The Accounting Manager should ensure communicating with the General Ledger Accountant the required modification / correction on the submitted manual journal entries.

2.3.16. Applying required modification / correction by the General Ledger Accountant should not take more than 1 hour from the time of communicating required correction actions.

Posting Approved Journal Vouchers

2.3.17. Posting manual journal entries should be processed as per the Posting process, policies and procedures.

2.4. Output

2.4.1. The output of this process is an entered Manual Journal Voucher by the General Ledger accountant and approved by the Accounting Manager.

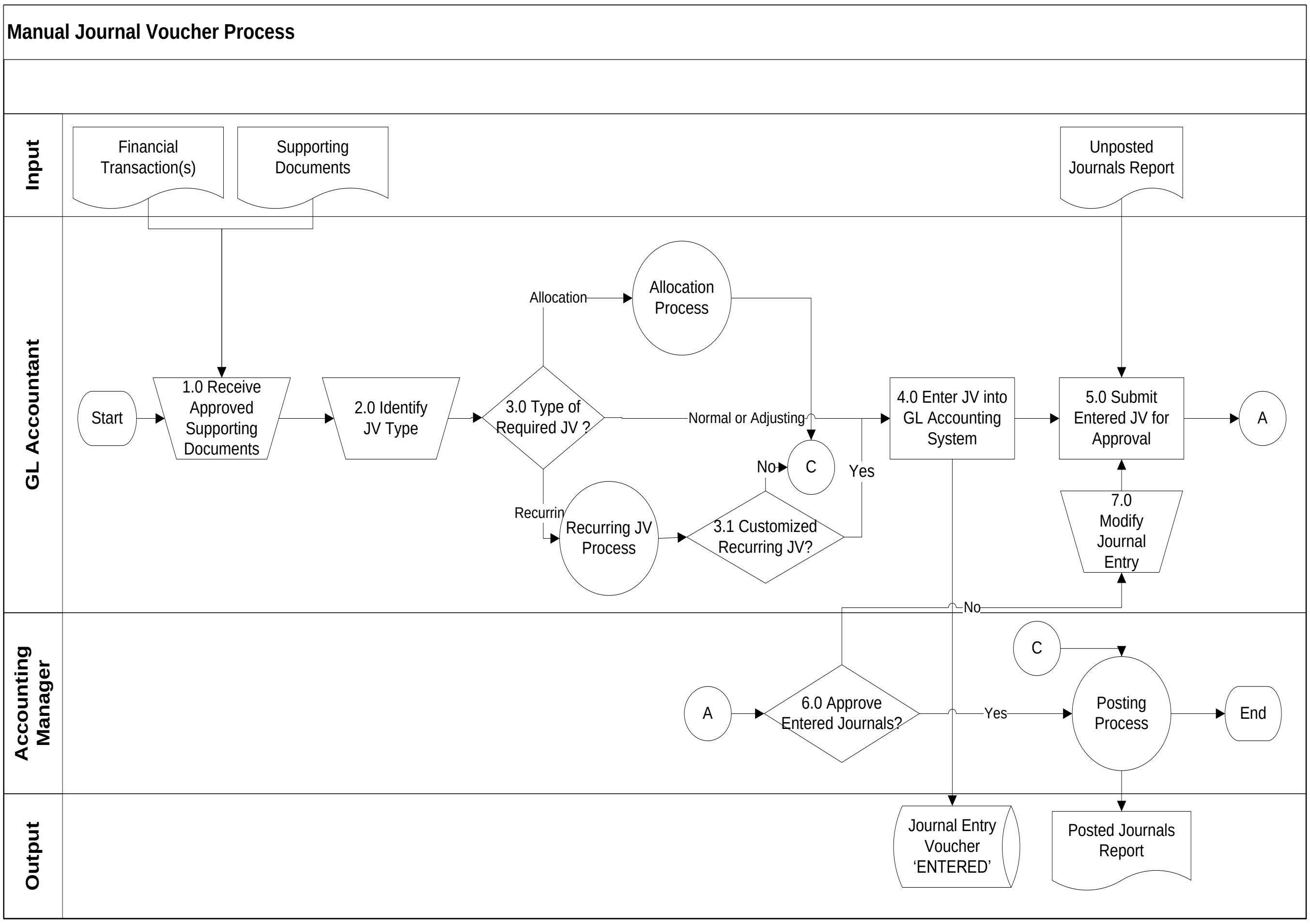
2.5. Related Processes

- Allocation Process
- Recurring Journal Voucher Process

2.6. Procedure

#	Step	Responsibility	Document
1.	Receive approved supporting documents	GL Accountant	Supporting Documents
2.	Identify JV type	GL Accountant	
3.	Type of required JV? if allocation JV refer to allocation process policies and procedures if recurring refer to recurring JV process policies and procedures, then go to step 3.1 if normal adjusting JV (Normal) go to step 4.0	GL Accountant	
3.1	Customized Recurring JV? If no go to posting process policies and procedures If yes go to step 4.0	GL Accountant	
4.	Enter JV in to General Ledger	GL Accountant	Journal Voucher 'Entered'
5.	Submit entered JV for approval	GL Accountant	
6.	Approve entered journals? If approved go to posting process If not approved go to step 7.0	Accounting Manager	
7.	Modify un approved JV and resubmit for approval	GL Accountant	Modified JVs

2.7. The Process Flow Chart



3. Recurring Journal Voucher Process

3.1. Purpose & Objective

3.1.1. The purpose of this policy is to set the controls and guidelines used for creating recurring journal vouchers in the General Ledger.

3.1.2. The objective of this process is to enter recurring journal vouchers to the General Ledger module on a timely basis while ensuring proper validation.

3.2. Input

3.2.1. The input of this process is the need for a recurring journal voucher as per the requirement of the manual journal voucher process, policies and related procedures depicted in this document.

3.3. Policies

Initiating the Recurring Journal Voucher

3.3.1. General Ledger Accountant is responsible for preparing / compiling and validating all supporting documents, which requires recurring journal entries.

3.3.2. All recurring journal entries prepared by the General Ledger Accountant must be supported by relevant documents to justify and validate the need for recurring journal entry.

3.3.3. Recurring Journal Entries are made every month. These entries include:

- Amortization of Intangible Assets
- Amortization of Prepaid Expenses
- Accrual of Interest Expense
- Allocation Journal Entry

Types of Recurring Journals

3.3.4. Recurring Journal Vouchers can be classified into 2 types:

- Standard Recurring Journal Entry
- Customized Recurring Journal Entry

Standard Recurring Journal Entry

3.3.5. A Standard recurring journal is to be saved for repeated use. It includes all GL Account numbers and amounts for the journal. These can be used to allocate rent expenses since the same amount is charged each month for rent.

Customized Recurring Journal Entry

3.3.6. A Customized recurring journals shall be saved for use every time it is needed. It includes all GL Account numbers, but does not include any amounts for the journal. These could be used to allocate phone expenses to a number of account combinations since the phone bill changes each month

Recurring Journal Entry Requisition form

3.3.7. The General Ledger Accountant should fill Recurring Entries Requisition Form for any required recurring journal creation (and not running); the form will include following information (but not limited to):

- Recurring Entry Effective Dates (From – To)
- Recurring Entry Type
- Recurring Justification
- Recurring Entry Description
- Rate of Recurrence

Recurring Requisition Approval

3.3.8. The Recurring Journal Entry Requisition Form should be reviewed and validated by the Accounting Manager prior to authorizing the processing of the recurring journals in the system.

3.3.9. Revision, validation and approval of the Recurring Journal Entry Requisition Form by the Accounting Manager should occur within 1 business day at most from the time of submitting the Form for approval.

3.3.10. All approved Recurring Journal Entry Requisition Form should be filled by the General Ledger Accountant for future reference and audit purposes.

Entering and Running the Recurring Journals

3.3.11. The General Ledger Accountant is responsible to enter all approved recurring entries to the system <u>only once</u>, running the recurring should be scheduled automatically as per recurring rate.

3.4. Output

3.4.1. The output of this process is an approved recurring journal voucher that will be posted to the general ledger module on a periodical manner.

3.5. Related Processes

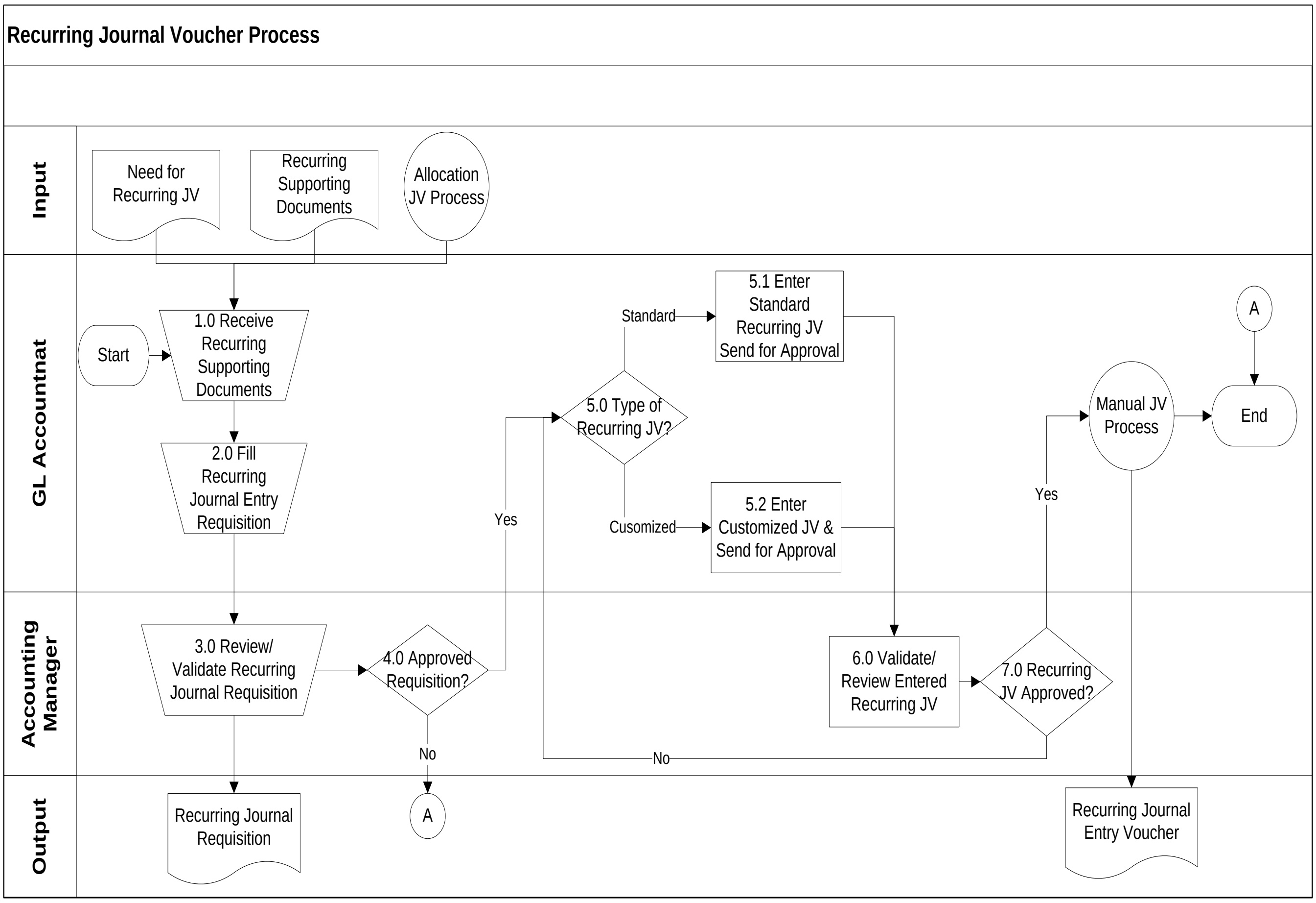
- Enter Manual Journal Voucher Process

3.6. Procedure

#	Step	Responsibility	Document
1.	Receive recurring JV supporting documents	GL Accountant	Recurring Supporting Documents
2.	Fill recurring journal entry requisition	GL Accountant	Recurring JE Requisition
3.	Review and validate recurring journal requisition; if approved go to step (#4) if not go to step (#9)	Accounting Manager	
4.	Approved Requisition? If not approved process end If approved go to step 5.0	Accounting Manager	
5.	Type of Recurring JV? If standard go to step 5.1 If customized go to step 5.2	GL Accountant	

#	Step	Responsibility	Document
5.1	Enter standard recurring JV and submit for approval	GL Accountant	Standard recurring JV
5.2	Enter customized recurring JV and submit for approval	GL Accountant	Customized recurring JV
6.	Validate and review submitted recurring JV	Accounting Manager	
7.	Recurring JV Approved? If not approved go to step 5.0 If approved go to manual JV process	GL Accountant	Approved Recurring JV

3.7. The Process Flow Chart



4. Allocation Process

4.1. Purpose & Objective

4.1.1. The purpose of this policy is to set the controls and guidelines used for making Allocation Journal Vouchers for entry into the General Ledger and for re-using them on a continuous basis.

4.1.2. The objective of this process is to define allocation types and formulas to generate allocation journal entries for a group of cost centres, departments, divisions, etc. Proper validation and approvals must be followed.

4.2. Input

4.2.1. The input of this process is the need for an allocation journal voucher as per the GL Enter Manual Journal Voucher Process supported by relevant approved documentation.

4.3. Policies

Allocation: Definition and Purpose

4.3.1. The Allocation journal entries should be applied by the General Ledger Accountant to allocate amounts from any cost pool (Assets, Liability, Revenue, or Expense) to various general ledger accounts.

4.3.2. Separate General Ledger accounts should be created in the Chart of Accounts to handle allocated expenses. Profit and Loss reporting should clearly show expenses directly charged and expenses allocated from the head office as two figures.

4.3.3. Only expenses that <u>can not</u> be charged directly to the appropriate cost centre should be allocated. Such expenses can be (but not limited to):

- Head Office Salaries
- Head Office Rent
- Head Office Building Depreciation

Initiating the Allocation Journal Voucher

4.3.4. General Ledger Accountant is responsible for preparing / compiling and validating all supporting documents, which requires allocation journal entries.

4.3.5. All allocation journal entries prepared by the General Ledger Accountant must be supported by relevant documents to justify and validate the need for allocation journal entry.

Types of Allocation

4.3.6. Based on the criteria of allocating certain amounts to variant accounts, different allocation types should be applied by the General Ledger Accountant:

- Rate-Based Allocations: Rate-based allocations use current, historical or estimated rates to allocate costs such as employee benefits, commissions, bad debt, warranty costs and overhead. For example, you might want to allocate overhead to each production line based on sales revenues.

- Usage-Based Allocations: Usage-based allocations use statistics such as headcount, units sold, square footage, number of deliveries or computer time consumed to calculate allocation amounts. For example, you might want to allocate your rental expense based on square foot usage.

Allocation Journal Entry Requisition Form

4.3.7. The General Ledger Accountant is responsible for filling the Allocation Journal Entry Requisition Form for any required new criteria of allocating amounts among variant accounts

4.3.8. The Allocation Journal Entry Requisition Form filled by the General Ledger Accountant should contain the following information:

- Allocation Effective Dates (From-to)

- Parent Account (Cost Centre) or amount to be allocated.

- Allocation Accounts

- Allocation Formula (A*B/C)

- Allocation Description
- Attached Supporting Documents

Allocation Approval

4.3.9. The Allocation Journal Entry Requisition Form should be reviewed and validated by the Accounting Manager prior to authorizing the processing of the allocation journals in the system.

4.3.10. Revision, validation and approval of the Allocation Journal Entry Requisition Form by the Accounting Manager should take place within 1 business day at most from the time of submitting the form for approval.

4.3.11. All approved Allocation Journal Entry Requisition Form should be filed by the General Ledger Accountant for future reference and audit purposes.

Processing the Allocation Journal Vouchers

4.3.12. Depending on the frequency of the allocation journal vouchers, it can be processed either though the Recurring Journal Voucher process or the Manual Journal Voucher process.

4.3.13. Example of recurring allocation journal vouchers:

- Rent expenses
- Prepaid expenses
- Deferred revenues

4.4. Output

4.4.1. The output of this process is an entered allocation journal voucher to the system which is either recurring system generated allocation based on predefined criteria (allocation type), or randomly entered by the General Ledger Accountant as per the Manual Journal Voucher Process.

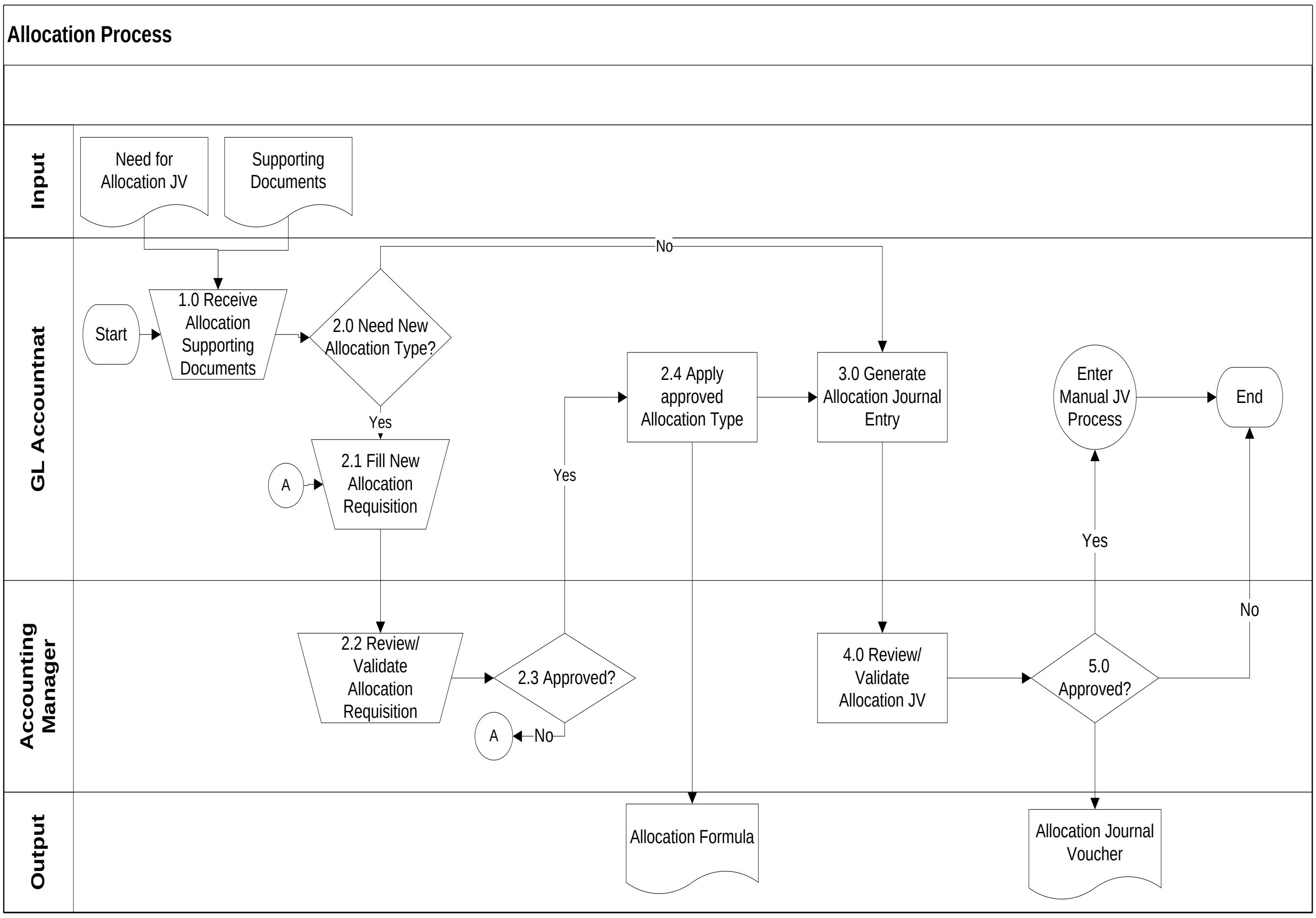
4.5. Related Process

- Enter Manual Journal Voucher Process

4.6. Procedure

#	Step	Responsibility	Document
1.	Receive allocation supporting documents	GL Accountant	Supporting Documents
2.	Need New Allocation Type? If no go to step 3.0 If yes go to step 2.1	GL Accountant	
2.1	Fill new allocation type requisition and submit for approval	GL Accountant	New Allocation Requisition
2.2	Review and validate submitted allocation requisition	Accounting Manager	
2.3	Approved? if no go to step 2.1 If yes go to step 2.4	Accounting Manager	
2.4	Apply approved new allocation type	GL Accountant	Allocation Formula
3.	Generate allocation Journal entry	GL Accountant	Allocation Journal Entry
4.	Review and validate submitted allocation journal entry	Accounting Manager	
5.	Approved? If no process end If yes go to enter annual JV process	GL Accountant	

4.7. The Process Flow Chart



5. Import from Sub-Ledger Process

5.1. Purpose & Objective

5.1.1. The purpose of this policy is to set the controls and the guidelines used for importing financial transactions from the Sub-Ledger to General Ledger to create Accounting Entries.

5.1.2. The objective of this process is to ensure the completeness and accuracy of imported transactions and that the process is performed on a timely basis.

5.2. Input

5.2.1. The input to this process is daily Sub-Ledger transactions (example inventory receiving, payables payments) that have financial impact on the General Ledger module.

5.3. Policies

Sub-Ledger Exporting to General Ledger

5.3.1. As a prerequisite for importing financial transaction from sub-Ledgers to General Ledger, each relevant Sub-Ledger Accountant is responsible for exporting daily financial transactions to the General Ledger.

5.3.2. Each Sub-Ledger Accountant should ensure the completeness of the transferred financial transactions. This should be done in accordance with the reconciliation process, policies and related procedures.

5.3.3. Exporting activity from Sub-Ledger to General Ledger should be performed on a daily basis (at the end of each business day) by relevant Sub-Ledger Accountant.

5.3.4. Relevant Sub-Ledger Accountant should immediately notify the General Ledger Accountant of completing exporting activity. Notification should occur within 30 minutes at most upon completion of exporting activity.

Importing Transactions

5.3.5. The General Ledger Accountant should start the importing activities immediately after receiving the notification from relevant Sub-Ledger upon finishing the exporting activities.

5.3.6. General Ledger Accountant should ensure the completeness of all imported transactions from relevant Sub-Ledger; this is related (but not limited to):

- The Accounts Charged
- The Value of the Transaction
- The Transaction Source
- Transaction Type (Invoice, Debit Note, or Credit Note etc…)
- Debit/Credit

5.3.7. All imported un-posted transactions should be printed, reviewed and validated by the General Ledger Accountant. As a result of validation, the General Ledger Accountant might request the supporting document for the purpose of reconciliation.

5.3.8. Imported, reviewed and corrected transactions as well as the printed reports should be authorized by the General Ledger Accountant, and then submitted to the Accounting Manager for posting purposes.

Corrective Sub-Ledger Activities

5.3.9. As a general policy, corrective actions should be imposed on the source sub-ledger rather than applied by the General Ledger Accountant as adjustments.

5.3.10. The General Ledger Accountant should communicate relevant Sub-Ledger Accountant to perform the corrective actions on any of the imported transactions. This step should take place before the posting process.

5.3.11. Required corrective actions should be communicated by the General Ledger Accountant to relevant Sub-Ledger Accountant within 3 working hours at most after detecting the importing issue.

5.3.12. Relevant Sub-Ledger Accountant is responsible for completing required corrective actions and re-exports the results to the General Ledger within the next business day.

5.3.13. Required corrective actions should take place by the relevant Sub-Ledger Accountant within 6 working hours at most after reporting the issue by the General Ledger.

5.3.14. The Accounting Manager should continuously monitor the performance of the Ledger Accountant (general and sub) in implementing the corrective action policies, and abiding by the time frame set for re-exporting. Any violations to these policies should be reported to the VP Finance for proper action.

5.3.15. Relevant Sub-Ledger Accountant should keep and save a copy of accomplished corrective actions that includes the full details of the transaction.

5.4. Output

5.4.1. The output of this process is a successfully imported, printed and filed journal entry by the General Ledger Accountant– as a result of sub-ledger transactions.

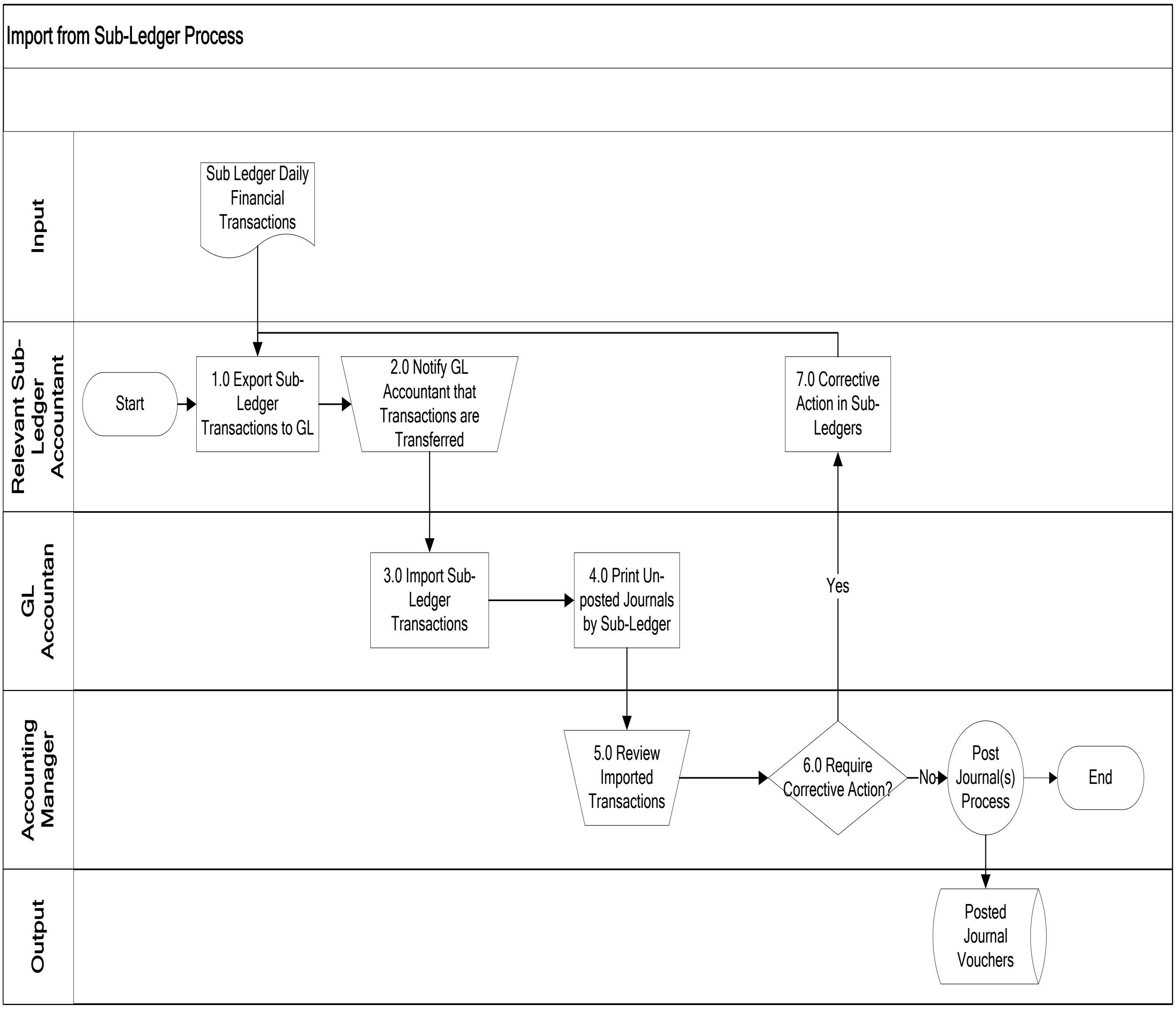
5.5. Related Processes

- Post Journals Process

5.6. Procedure

#	Step	Responsibility	Document
1.	Export sub-ledger transactions to GL	Relevant Sub-Ledger Function	Sub-Ledger Transactions(System)
2.	Notify GL Accountant of transferring (exporting) sub-ledger transaction	Relevant Sub-Ledger Function	System Notification
3.	Import sub-ledger transactions and submit for review	GL Accountant	
4.	Print un-posted journals	Sub-ledger Function	Un-posted Journals
5.	Review imported transaction	Accounting Manager	
6.	Require Corrective Action? If no go to post journal process policies and procedures then process end If yes go to step 7.0	Accounting Manager	
7.	Corrective Action in Sub-Ledgers then go to step 1.0	Sub-Ledger Function	

5.7. The Process Flow Chart



6. Posting Journal Voucher Process

6.1. Purpose & Objective

6.1.1. The purpose of this policy is to set the controls and the guidelines used for posting imported Journal Voucher from Sub-Ledgers to the General Ledger.

6.1.2. The objective to this process is to ensure the completeness and correctness of all posted Journal Voucher to General Ledger in a periodic and timely manner.

6.2. Input

6.2.1. The input to this process is imported and un-posted entries that need to be posted to General Ledger accounts.

6.3. Policies

Initiating Posting Process

6.3.1. General Ledger Accountant should notify the Accounting Manager to initiate the process of posting imported and un-posted journal vouchers to the General Ledger. This should be done after completing all the exporting, re-exporting, and importing activities.

Prior Posting Activities

6.3.2. The Accounting Manager is responsible for final revision of un-posted journals, before posting to General Ledger accounts. This will be based on the un-posted transactions reports and supporting documents (whenever needed).

6.3.3. As a result of validation, the Accounting Manager is authorized to request the supporting document of any financial transaction for the purpose of double reconciliation.

6.3.4. Required corrective actions should be communicated by the Accounting Manager to the General Ledger Accountant and the relevant Sub-Ledger Accountant within 3 working hours at most.

6.3.5. Relevant Sub-Ledger Accountant or the General Ledger Accountant is responsible for completing required corrective actions and re-exports the results to the General Ledger within 6 hours at most.

6.3.6. Applying corrective actions on the sub-ledger should comply with the “Corrective Sub-ledger Action” policies and procedures mentioned in this document.

Posting Journal Vouchers

6.3.7. The Accounting Manager is responsible for posting Sub-Ledger’s imported and un-posted journal entries.

6.3.8. The Accounting Manager should perform post- posting activities. This involves reviewing the posted entries and ensuring that posting has been completed accurately and completely.

6.3.9. The Accounting Manager could utilize posting reports and supporting documents while validating the posting accuracy and completeness.

6.3.10. The completion of exporting, importing, reviewing, corrective actions, and posting should not take more than 4 working days from the moment of initiating the Exporting Process.

6.3.11. The General Ledger Accountant should ensure filing the printed journal entries that have been posted to the general ledger. This should be done once posting activities are concluded.

6.4. Output

6.4.1. The output of this process is a posted journal entries to General Ledger by the Accounting Manager, and an updated General Ledger accounts balances.

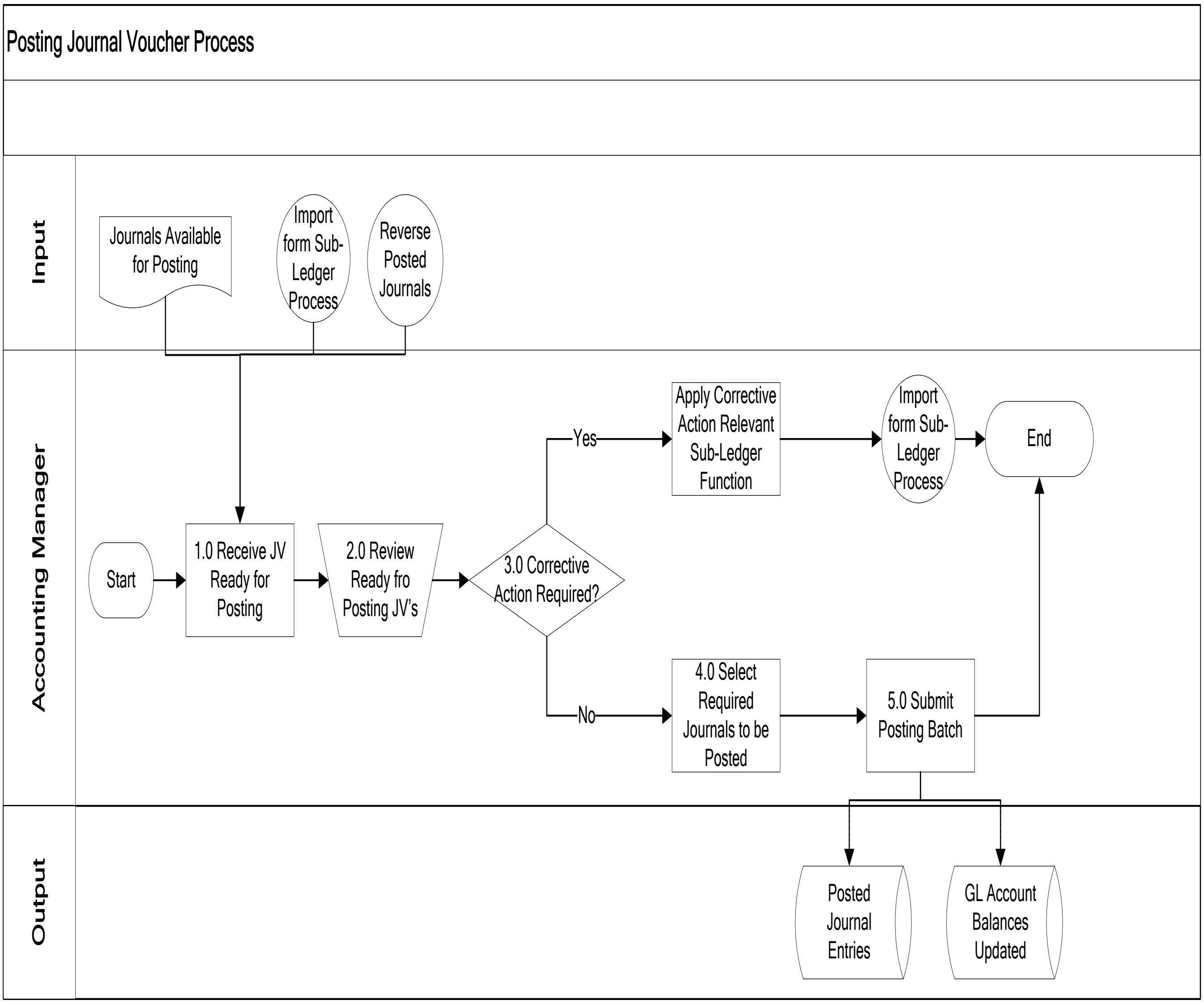
6.5. Related Processes

- Import from Sub-Ledger Process.

6.6. Procedure

#	Step	Responsibility	Document
1.	Receive JV ready for posting	Accounting Manager	Ready for Posting JV
2.	Review and validate ready for posting transactions.	Accounting Manager	
3.	Corrective Action Required? If yes apply corrective action by relevant Sub-Ledger Function and import transactions as per Import form Sub-Ledger Process If no go to step 4.0	Accounting Manager	
4.	Select required Journals to be posted	Accounting Manager	Selected Journal Entries
5.	Submit posting batch	Accounting Manager	Posted Journal Entries

6.7. The Process Flow Chart



7. Delete Un-posted Journal Voucher Process

7.1. Purpose & Objective

7.1.1. The purpose of this policy is to set the controls and the guidelines used to Delete Un-posted Journal Vouchers.

7.1.2. The objective of this process is to track, monitor and control the deletion process of un-posted journals.

7.2. Input

7.2.1. The input to this process is the need for deleting un-posted journals from the system. Un-posted Journals are:

- Journal Entries Imported from Sub-ledger to General Ledger, but not yet affecting the General Ledger accounts balances.
- Manual Journal Entries Entered to General Ledger, but not yet affecting the general Ledger accounts balances.

7.3. Policies

Initiating the Deletion

7.3.1. General Ledger Accountant is the initiator of the deletion of un-posted journals. This should be done by following the proper verification and approval activities depicted in this section.

7.3.2. As a general policy, all required deletion of un-posted Journals should be completed before the end of the fiscal period in order to prevent accumulation of un-necessary transactions.

Journal Deletion Form

7.3.3. The General Ledger Accountant should clearly specify the financial transactions that should be deleted by utilizing respective general ledger reports. The reports should be accompanied with Journal Deletion form that includes the following elements: (but not limited to):

- Financial Transaction
- Debits / Credits
- Amount
- Reasons
- Sub-ledger
- Date Initiated

7.3.4. The General Ledger Accountant should review and validate the Journal Deletion form and supporting reports prior to forwarding it for approval.

Deletion Approval

7.3.5. The Accounting Manager should review and validate the Journal Deletion form and supporting reports prior to authorizing the deletion of the financial transactions.

7.3.6. The Journals approved for deletion should be printed by the General Ledger Accountant and filed for internal audit purposes and should be accompanied with the Journals Deletion form.

Applying the Deletion

7.3.7. The deletion of the selected journals should be applied on the system by the Accounting Manager upon approving the Journal voucher deletion form prepared by the General Ledger Accountant.

7.4. Output

7.4.1. The output of this process is successful deletion of un-posted Journals, and a print out of the mentioned journals as well as the Journal Deletion form for tracking purposes.

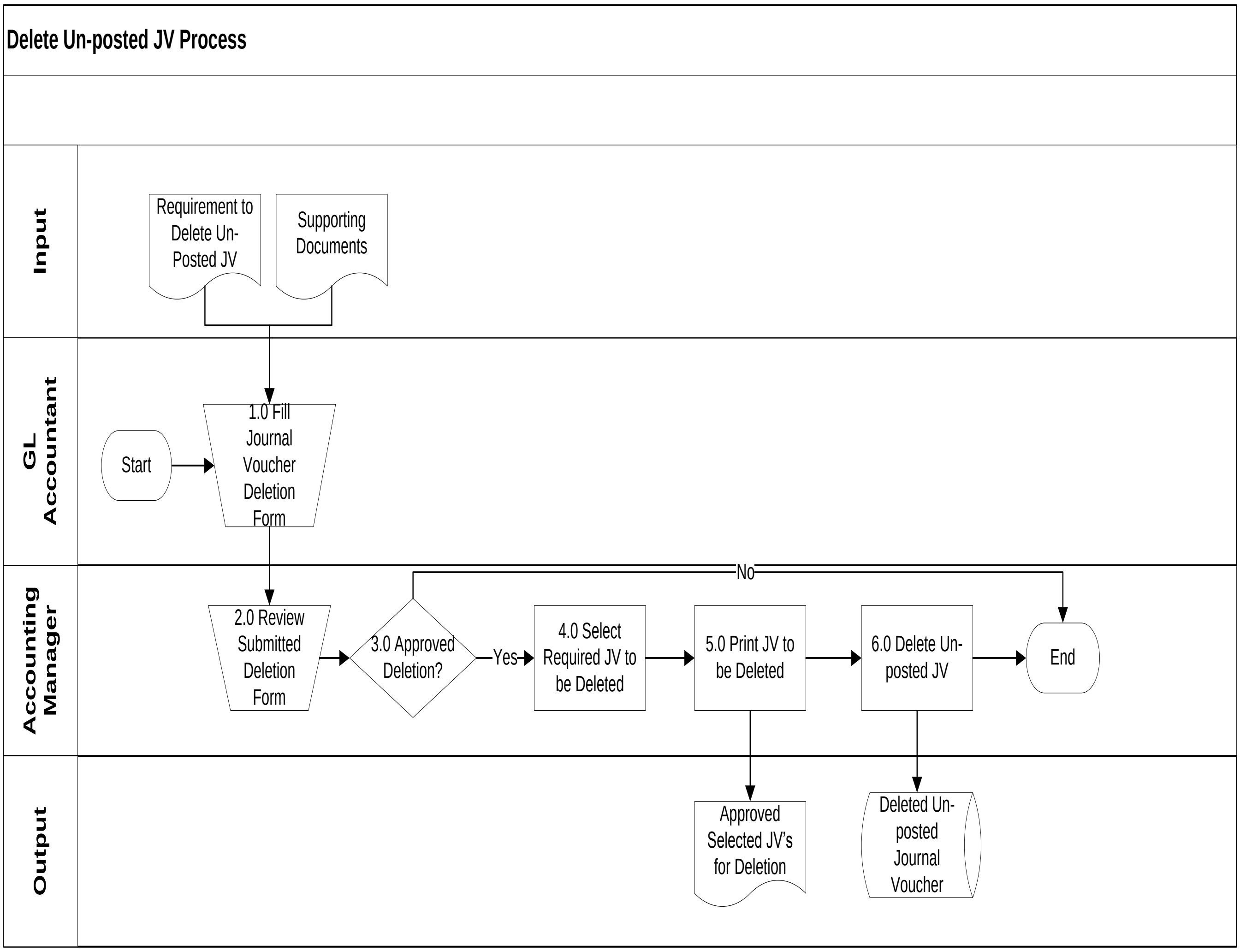
7.5. Related Processes

- None

7.6. Procedure

#	Step	Responsibility	Document
1.	Fill journal voucher deletion form	GL Accountant	Journal Voucher Deletion Form
2.	Review submitted deletion form	Accounting Manager	
3.	Approved Deletion? If no process end If yes go to step 4.0	Accounting Manager	
4.	Select required JV to be deleted	Accounting Manager	
5.	Print JV to be deleted	Accounting Manager	To be Deleted JV
6.	Delete un-posted journal voucher	Accounting Manager	Deleted JV

7.7. The Process Flow Chart



8. Reverse Posted Journal Process

8.1. Purpose & Objective

8.1.1. The purpose of this policy is to set the controls and the guidelines used to Reverse Posted Journals.

8.1.2. The objective of this process is to track, monitor and control the reversal process of posted journals.

8.2. Input

8.2.1. The input to this process is the need of reverse posted journal entry in General Ledger accounts as a result of detecting posting errors.

8.3. Policies

Initiating the Reversal

8.3.1. General Ledger Accountant is the initiator of the reversal of posted journals. This should be done by following the proper verification and approval activities depicted in this section.

8.3.2. As a general policy, all required reversal of posted Journals should be completed before the end of the fiscal period in order to prevent accumulation of un-necessary transactions.

Journal Reversal Form

8.3.3. The General Ledger Accountant should clearly specify the financial transactions that should be reversed by utilizing respective general ledger reports. The reports should be accompanied with Journal Reversal form that includes the following elements: (but not limited to):

- Financial Transaction
- Debits / Credits
- Amount

- Reasons
- Sub-ledger
- Date Initiated
- Reversal verification

8.3.4. The General Ledger Accountant should review and validate the Journal Reversal form and supporting reports prior to forwarding it for approval.

Reversal Approval

8.3.5. The Accounting Manager should review and validate the Journal Reversal form and supporting reports prior to authorizing the reversal of the financial transactions.

8.3.6. The Journals approved for reversal should be printed by the General Ledger Accountant and filed for internal audit Purposes and should be accompanied with the Journals Reversal form.

Applying the Reversal

8.3.7. The reversal of the selected journals should be applied on the system by the Accounting Manager upon approving submitted Journal voucher Reversal form.

8.4. Output

8.4.1. The output of this process is a successfully entered reversal Journals, a print out of the reversed journals for tracking purposes, and a filed journal reversal form.

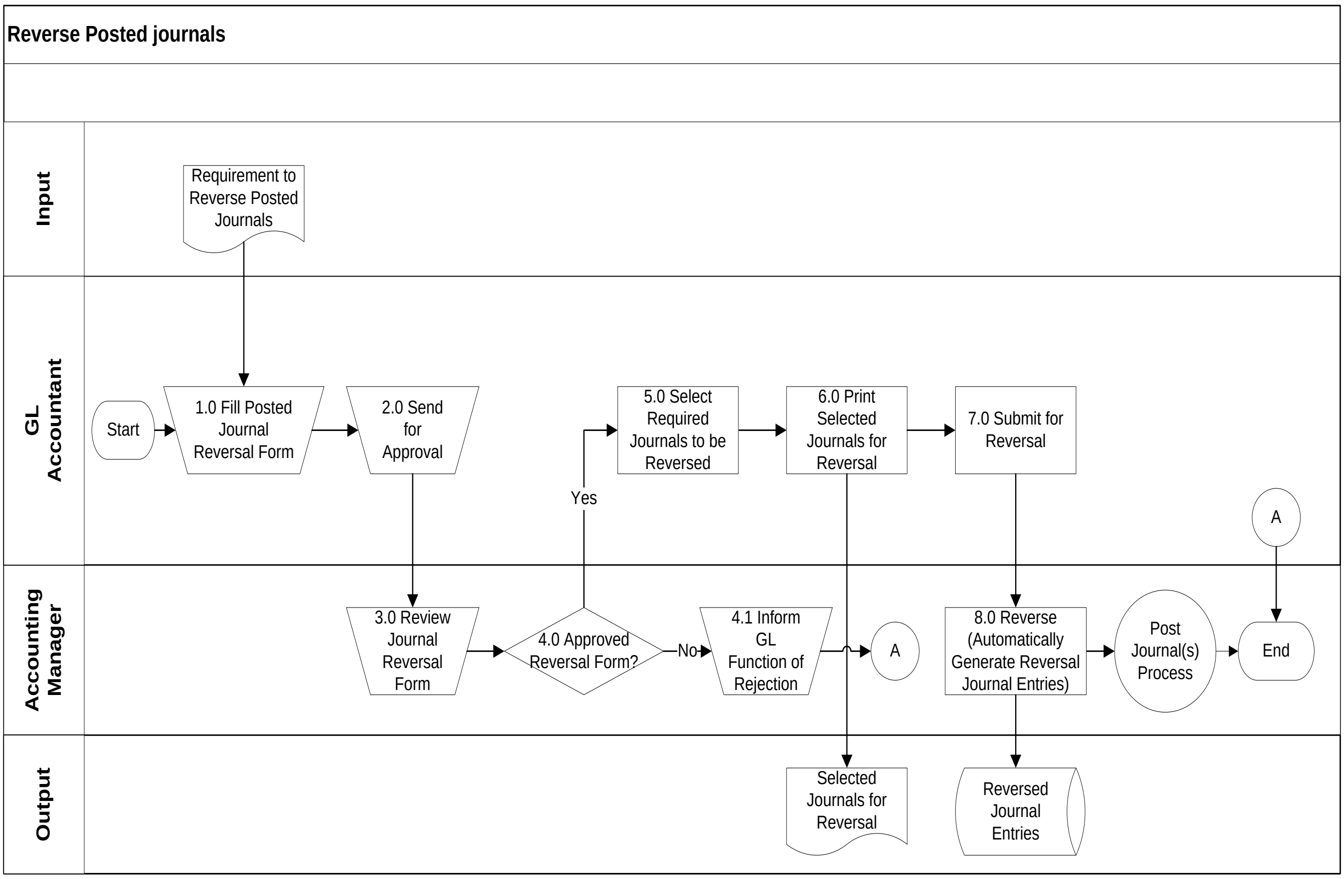
8.5. Related Processes

- Post Journal Process

8.6. Procedure

#	Step	Responsibility	Document
1.	Fill posted journal reversal form	GL Accountant	Posted Journal Reversal Form
2.	Submit for approval	GL Accountant	
3.	Review and validate journal reversal form	GL Accountant	
4.	Approved Reversal Form? If not approved go to step 4.1 If approved go to step 5.0	GL Accountant	
4.1	Inform GL Accountant of rejection, then process end	Accounting Manager	
5.	Select required journal to be reversed	GL Accountant	Selected Journals for Reversal
6.	Print selected journal for reversal	GL Accountant	
7.	Submit for Reversal	GL Accountant	
8.	Generate reversal journal entry, then go to post journal process, then process end	Accounting Manager	Reversed Journal Entry

8.7. The Process Flow Chart



9. Sub-Ledger Reconciliation with General Ledger

9.1. Purpose & Objective

9.1.1. The purpose of this policy is to set the controls and the guidelines used to perform reconciliation between the sub-ledgers and the general ledger.

9.1.2. The objective of this process is to perform accurate and timely reconciliation within the sub-ledger and between the sub-ledgers and the general ledger in order to ensure that the sub-ledgers and general ledger incorporate equivalent information.

9.2. Input

9.2.1. The input to this process is the end of the financial period as proper reconciliation is mandatory to ensure smooth closing of month end periods.

9.3. Policies

Sub-Ledgers: Definition and Purpose

9.3.1. A sub-ledger represents any sub-system that generates financial transactions imported to the general ledger, example inventory, payables, receivables, fixed assets, etc.

9.3.2. Sub-ledger financial transactions should always be generated automatically; as such transactions should not be booked in the general ledger.

9.3.3. The general ledger entries have the following sources (a sample):

- Inventory
  - Receiving
  - Transfer
  - Shipping
  - Return

- Payables
  - Invoice Processing
  - Prepayment, Credit, Debit Memo Processing
  - Payment Processing
  - Receivables
- Billing
  - Credit, Debit, Memo Processing
  - Collection
- Fixed Assets
  - Addition
  - Transfer
  - Depreciation
  - Retirement
- Cash Management
  - Cash Disbursements
  - Check Receipts

Reconciliation: Definition and Purpose

9.3.4. Reconciliation is the process of ensuring that the financial transactions are properly recorded in the financial system. This is achieved by matching the sub-ledger transactions with the supporting documents and matching the sub-ledger transactions with the general ledger transactions.

9.3.5. Reconciliation happens in two steps, reconciliation in the sub-ledger and reconciliation between the sub-ledger and the general ledger.

9.3.6. Reconciliation activities (of the sub-ledger and between the sub-ledger and general ledger) should be owned by the General Ledger Accountant.

Reconciliation in the Sub-ledger

9.3.7. Reconciliation in the Sub-ledger includes the activities of matching the sub-ledger transactions with the supporting documents. This should be done by the respective Sub-Ledger Accountant.

9.3.8. Reconciliation in the Sub-ledger should be performed on a daily basis; any un-resolved mismatches should be reported instantly to the Accounting Manager for proper action.

9.3.9. Mismatch between the supporting documents and the respective sub-ledger should be handled through the following activities (in the sub-ledger)

- Updating / correcting the transaction
- Reversing the transaction
- Entering new transaction

Reconciliation between the Sub-ledger and General Ledger

9.3.10. Reconciliation between the sub-ledger and general ledger includes activities of matching the sub-ledger transactions (reports) with the general ledger transactions (reports).

9.3.11. Reconciliation between the sub-ledger and general ledger should be done as a collective effort between the Sub-Ledger Accountants and the General Ledger Accountant.

9.3.12. Reconciliation between the sub-ledger and general ledger should be performed on a monthly basis; any un-resolved mismatches should be reported instantly to the Accounting Manager for proper action.

9.3.13. Mismatch between the sub-ledger and general ledger should be handled through the corrective action in the sub-ledger rather than the general ledger, and includes the following activities:

- Updating / correcting the transaction
- Reversing the transaction
- Entering new transaction

9.3.14. Reconciliation between the sub-ledger and general ledger should be completed within 2 days at most and should precede the month end closing process.

9.4. Output

9.4.1. The output of this process is reconciled transactions between the sub-ledger and the supporting documents as well as reconciled transactions between the sub-ledger and general ledger.

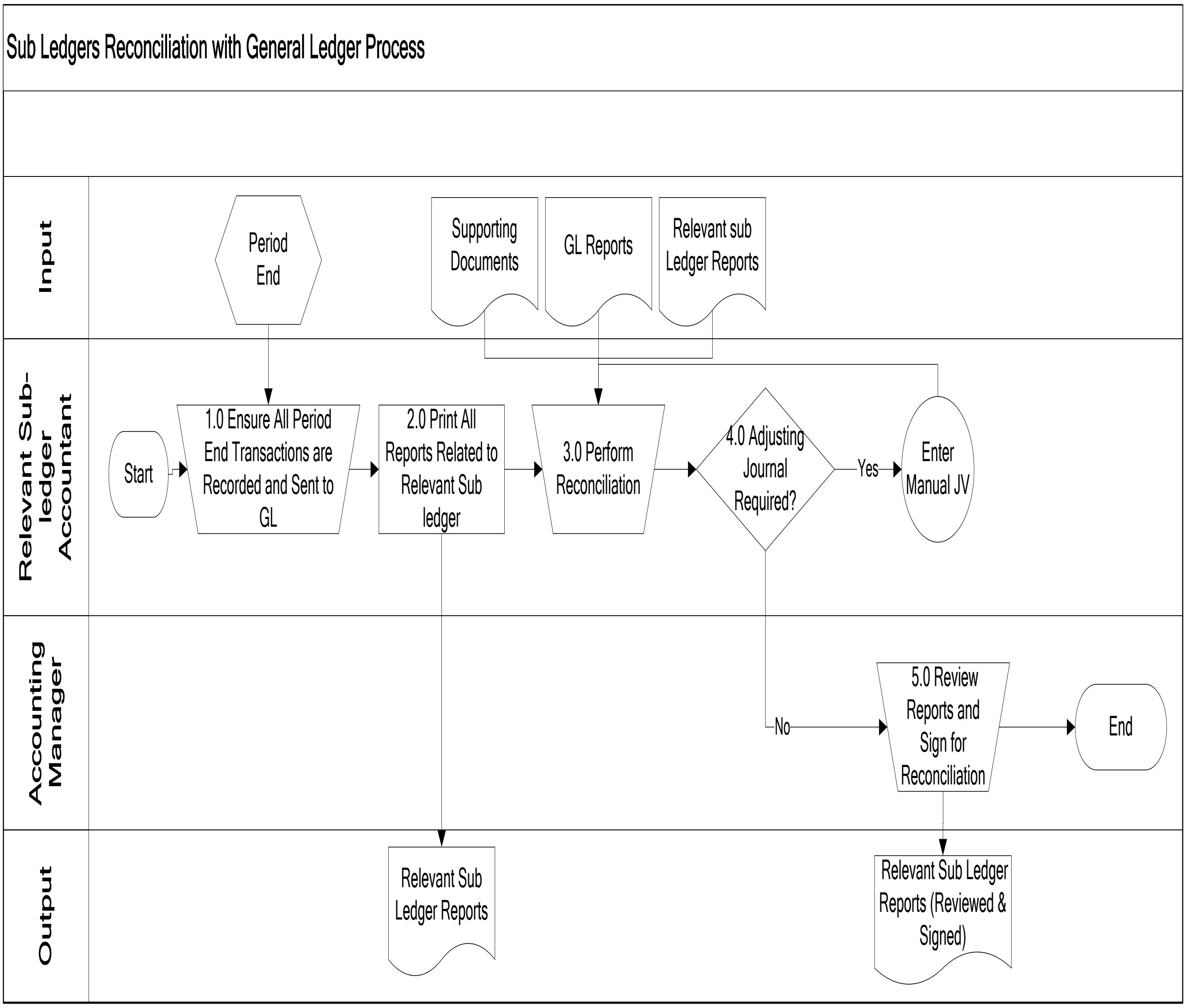
9.5. Related Processes

- None

9.6. Procedure

#	Step	Responsibility	Document
1.	Ensure that all period end transaction are recorded and sent to GL	Relevant Sub-Ledger Accountant	
2.	Print all reports related to relevant sub-ledger	Relevant Sub-Ledger Accountant	Relevant Sub-Ledger Reports
3.	Perform reconciliation	Relevant Sub-Ledger Accountant	
4.	Adjusting Journal Required? If yes go to enter manual JV process If no go to step 5.0	Relevant Sub-Ledger Accountant	
5.	Review reports and sign for reconciliation	Accounting Manager	Signed Reconciliation Report

9.7. The Process Flow Chart



10. Period End Open/Close Process

10.1. Purpose & Objective

10.1.1. The purpose of this policy is to set the controls and the guidelines used for closing current fiscal period and opening next fiscal period at the end of each fiscal period.

10.1.2. The objective of this process is to ensure timely, accurate and complete closing and opening for The Company fiscal periods at the end of each month.

10.2. Input

10.2.1. The end of each fiscal period is the trigger to start with closing / opening the Company fiscal periods. Since time is the key element in this process, the Company should simplify the closing/opening by making closing/opening activities a routine work.

10.3. Policies

Fiscal Periods (Calendar) Definition

10.3.1. The Company should maintain a clear number of fiscal periods (calendar) that should fit the Company business financial requirements, the Company's system should have the ability to maintain more than one fiscal calendar in order to have the flexibility of transforming from one calendar structure (12 months +1 adjustments) to another (4 quarters) when ever necessary.

10.3.2. Defining the Company fiscal calendar or transforming from one fiscal calendar to another should be approved by the VP Finance.

Opening Next Fiscal Periods

10.3.3. The General Ledger Accountant is responsible for immediately opening next financial period at the end of each fiscal period, even if the current fiscal period is not closed.

10.3.4. The General Ledger Accountant is responsible for immediately instructing each Sub-Ledger Accountant for opening next sub-ledgers fiscal periods at the time of opening the general ledger fiscal period.

10.3.5. Relevant Sub-Ledger Functions are responsible for opening next financial periods at the time of receiving general ledger instructions, for capturing next period financial transactions. This should happen within 3 hour from receiving General Ledger Function instructions.

10.3.6. Communication method between the General Ledger Accountant and all other relevant Sub-Ledger Accountant during the period end open/close process should be through electronic notifications.

10.3.7. The period end closing activities should ensure the completion of the following processes (as a pre-requisite for closing):

- Posting of transaction to General Ledger
- Sub-ledger Reconciliation with General Ledger Process
- Bank Reconciliation Process
- Manual Journal Entries Process (For adjusting Purposes)

Posting of Transactions

10.3.8. The Accounting Manager is responsible for posting the financial transactions to the General Ledger as per the posting journal voucher process, policies and procedures mentioned in this document.

Sub-ledgers Reconciliation with General Ledger

10.3.9. The General Ledger Accountant is responsible for communicating relevant Sub-Ledgers Accountant at the end of each fiscal period to start the reconciliation process between the sub-ledgers and general ledger.

10.3.10. Sub-ledgers reconciliation with the general ledger activities should be as per sub-legers reconciliation with general ledger process policies and procedures mentioned to this document.

Bank Reconciliation Activities

10.3.11. Bank Reconciliation Statements and adjustments to the General Ledger cash balances should be reviewed and approved by the VP Finance before completing the fiscal period closing activity.

10.3.12. The General Ledger Accountant is responsible for communicating the Cash Management Officer at the end of each fiscal period to perform the bank reconciliation process.

10.3.13. Bank reconciliation activities should be performed by relevant Sub-Ledger Accountant as per the Bank reconciliation process, policies and procedures mentioned in the Cash Management section.

Manual Journal Entries

10.3.14. The General Ledger Accountant should identify the monthly recurring and non-recurring adjusting journal vouchers for entering to the General Ledger system every fiscal period.

10.3.15. The General Ledger Accountant is responsible for entering the required manual journal vouchers to the system as per manual journal voucher process, policies and procedures mentioned in this document.

Period Closing Activities

10.3.16. The General Ledger Accountant is responsible for closing the general ledger fiscal period based on the completion of :

- Sub-Ledger reconciliation with general ledger
- Entering all required manual journal entries
- Asset accounts evaluation (i.e. Inventory and Investment)
- Period end adjustments
- Recurring journal entries
- Allocation journal entries
- Bank reconciliation

10.3.17. The General Ledger Accountant is responsible for instructing all Sub-Ledgers Accountants for closing current sub-ledger fiscal periods.

10.3.18. The VP Finance and Accounting Manager are responsible for supervising all opening/closing activities for the general ledger and sub ledgers fiscal periods. This should be completed within the first 5 working days of the next fiscal period at most.

10.3.19. As a general Policy, the Accounting Manager should ensure that no more than two fiscal periods are opened at the same time, either for the General Ledger or the sub-Ledgers (the two opened period should only be, the current period and the next period until the processing of period closing activities)

Printing Trail Balance

10.3.20. A preliminary Trial Balance should be generated on monthly basis, after the month end closing. The trial balance will serve as a work paper to prepare adjustments and reconciliation, following are the mandatory columns to be presented in the Trial Balance Report:

- Account Number
- Account Name
- Period Opening Balance
- Period Debit Transactions
- Period Credit Transactions
- Period End Balance

10.3.21. The General Ledger Accountant is responsible for printing monthly trial balance after the completion of the period.

10.3.22. The General Ledger Accountant is responsible for filing the printed monthly trial balance by the time of closing the general ledger fiscal period.

Post Closing Activities: Financial Reporting Activities

10.3.23. As a result of closing the current period, the Financial Analyst is responsible for preparing financial reports at the end of each fiscal period to analyse The Company current position.

10.3.24. Financial reporting activities should be as per financial reporting process, policies and procedures mentioned in this document.

10.4. Output

10.4.1. The output of the process is an open/closed general ledger and sub-ledgers fiscal periods with in the first 5 days of the next fiscal period at most.

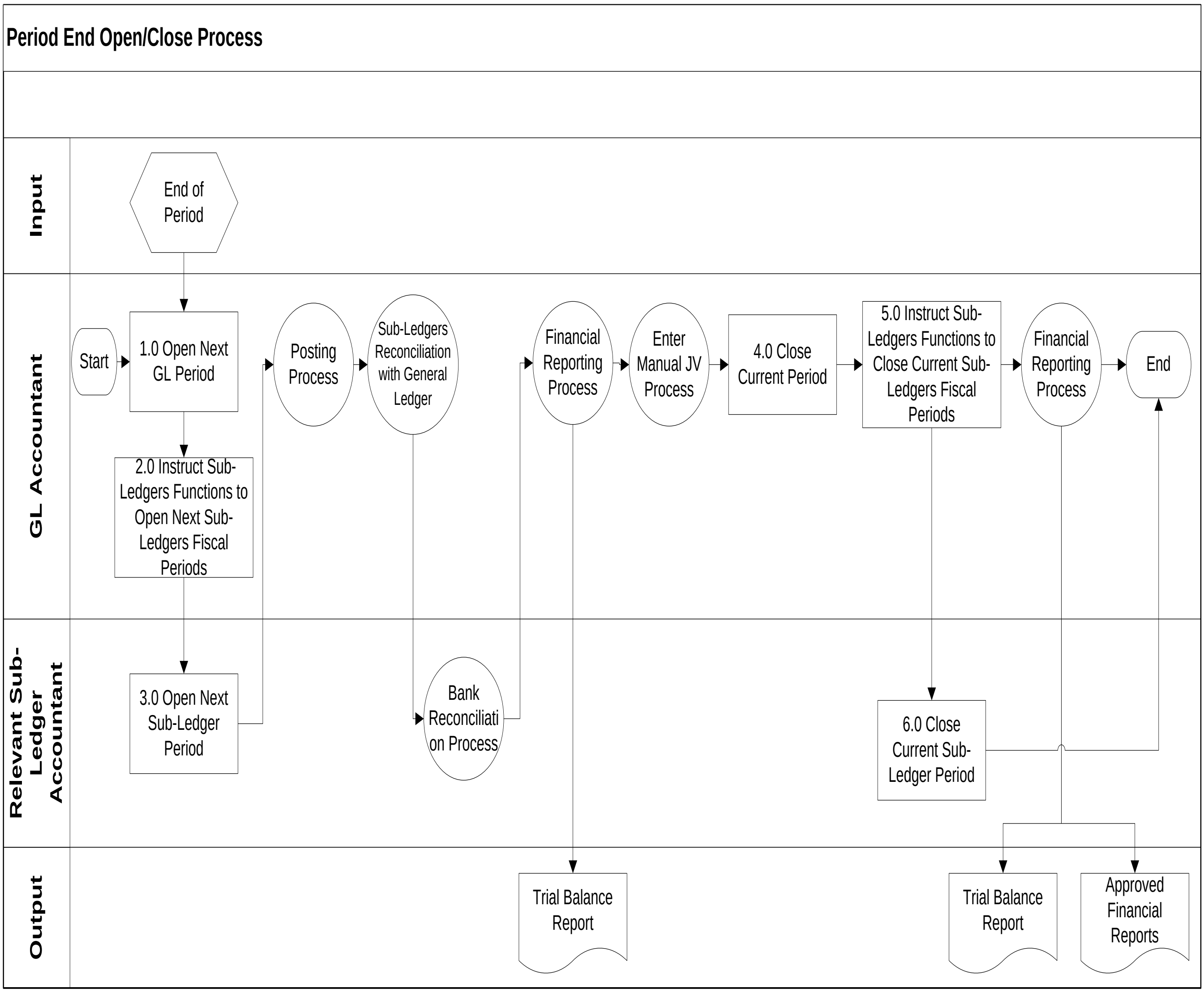
10.5. Related Processes

- Posting Process
- Sub-ledger reconciliation with general ledger process
- Enter Manual journal voucher process
- Financial reporting process
- Bank reconciliation process

10.6. Procedure

#	Step	Responsibility	Document
1.	Open next GL period	GL Accountant	
2.	Instruct Su-Ledger Functions to open next Sub-Ledger fiscal period	GL Accountant	
3.	Open next Sub-Ledger period, then go through the following process	Sub-Ledger Accountant	
	Post journal entries as per Posting process polices and procedures	GL Accountant	
	Reconcile General Ledger accounts with Sub-Ledger	GL Accountant	
	Bank Reconciliation Process	Sub-Ledger Accountant	
	Financial Reporting Process	GL Accountant	Trial Balance
	Enter Manual JV Process	GL Accountant	
4.	Close current GL period	GL Accountant	
5.	Instruct Sub-Ledger Function to close current Sub-Ledger period, then Print period end financial reports as per Financial reporting process policies and procedures	GL Accountant	Trial Balance ,Financial Reports
6.	Close current Sub-Ledger period	Sub-Ledger Accountant	

10.7. The Process Flow Chart



11. Year End Open/Close Process

11.1. Purpose & Objectives

11.1.1. The purpose of this policy is to set the controls and the guidelines used for closing The Company current fiscal year.

11.1.2. The objective of this process is to ensure timely, accurate and complete closing and opening for The Company fiscal year at the end of each year.

11.2. Input

11.2.1. The end of each Calendar year is the trigger to start with closing/opening The Company fiscal year. Since time is the key element in this process, The Company should simplify the closing/opening by making closing/opening activities a routine work.

11.3. Policies

Opening Next Fiscal Periods

11.3.1. The General Ledger Accountant is responsible for immediately opening next fiscal year at the end of last fiscal period, even if the current fiscal year is not closed.

11.3.2. The General Ledger Accountant is responsible for immediately instructing each Sub-Ledger Accountant for opening next sub-ledgers fiscal periods at the time of opening the general ledger fiscal year.

11.3.3. Relevant Sub-Ledgers Accountant are responsible for opening next financial periods at the time of receiving general ledger instructions, for capturing next period financial transactions.

11.3.4. Communication method between the General Ledger Accountant and all other relevant Sub-Ledger Accountants during the year end open/close process should be through electronic notifications.

Sub-ledgers Reconciliation with general ledger

11.3.5. The General Ledger Accountant is responsible for communicating relevant Sub-Ledgers at the end of the last fiscal period to start the reconciliation process between the sub-ledgers and general ledger.

11.3.6. Sub-ledgers reconciliation with the general ledger activities should be as per sub-legers reconciliation with general ledger process policies and procedures attached to this manual.

11.3.7. Sub-ledgers reconciliation with the general ledger process should not take more than 2 working days at most.

Bank Reconciliation Activities

11.3.8. Bank Reconciliation Statements and adjustments to the General Ledger cash balances should be reviewed and approved by the VP Finance before completing the fiscal period/year closing activity.

11.3.9. The General Ledger Accountant is responsible for communicating relevant Sub-Ledger Accountants at the end of the last fiscal period to perform the bank reconciliation process.

11.3.10. Bank reconciliation activities should be performed by relevant Sub-Ledger Accountant as per the Bank reconciliation process, policies and procedures.

Financial Reporting Activities

11.3.11. The General Ledger Accountant is responsible for printing the accounts trial balance at the end of each period in order to identify the following:

- Total Debits Equal the Total Credits
- Adjusting Journal Entries

11.3.12. After entering and posting all required adjusting journal entries, the Financial Analyst is responsible for preparing the financial reports in order to analyse The Company current position and to submit them for external audit.

11.3.13. Financial reporting preparation activities should be as per financial reporting process, policies and procedures attached to this manual.

11.3.14. The Financial analyst is responsible for printing all Audited final financial reports by the time of closing current fiscal period.

11.3.15. The General Ledger Accountant is responsible for filing the printed monthly financial reports by the time of closing the general ledger fiscal period.

Manual Journal Entries

11.3.16. The General Ledger Accountant should identify the monthly recurring and non-recurring adjusting journal vouchers for posting to the General Ledger system every fiscal period.

11.3.17. The General Ledger Accountant is responsible for entering the required manual journal vouchers to the system as per manual journal voucher process, policies and procedures.

11.3.18. Posting entered period end adjusting entries should not take more than 1 working day at most.

High Level Year End Closing Activities

11.3.19. As a general policy, the General Ledger Accountant is responsible for closing the general ledger fiscal year based on the completion of both high level and low level Year end closing activities, following presents the high level set of year end closing activities:

- Sub-Ledger reconciliation with general ledger
- Posting all required manual journal entries
- Period end adjustments
- Recurring journal entries
- Allocation journal entries
- Bank reconciliation
- Posting all year end adjusting entries.
- Closing Journal Entries
- Audited financial statements.

Low Level Year End Closing Activities

11.3.20. The VP Finance should ensure completing a set of detailed activities prior to the closing of the company fiscal year, following presents a list of the company year end detailed closing activities :

- Cash Accounts:
  - Prepare the bank reconciliation for year-end balances as per the bank statement to the balance per books for each account, the bank reconciliation report should show the origination dates and description of reconciling item.
  - Prepare a summary of all the petty cash and change drawer funds. Totals must agree with the General Ledger.
  - Obtain bank balance confirmation from each bank
  - File all reconciliation reports in the year-end closing file
- Accounts Receivable:
  - Print a detailed aged accounts receivable report and then reconciles it to the General Ledger; this should be prepared as soon as all invoicing for products sold as of year-end is complete.
  - Calculate possible allowances for un-collectible accounts
  - Adjust prior allowance to calculated amounts
  - Write off an un-locatable differences
- Inventory:
  - Once the results of the physical inventory count have been compiled and entered in to the accounting system, print out a full inventory valuation report (sorted by item number) showing quantities on hand and cost values. Review the inventory report for unusual variations and investigate, as appropriate.

- The Planning & Inventroy Department should run two inventory valuation reports one sorted by extended amount and one sorted by quantity.

- Prepare a schedule of any possibly un-returnable, damaged, spoiled, or obsolete inventory items, and adjust them out of inventory.

- File the sorted inventory reports, of detailed inventory items, and any related adjustment sheets along with the original physical count sheets in the year–end closing file.

- Capital Assets:

  - Update the detailed schedule of Fixed Assets with any additions and deletions and reconcile to the General Ledger balances

- Other Assets:

  - All other assets should be identified and documented such as real estate deposits, prepaid insurance advances to employees or owners, and intangibles.

  - File copies of the documents which identifies the company's Other Assets, in the year end closing file

- Accounts Payable:

  - Print a detailed aged Accounts Payable report and reconcile it to the General Ledger. This should be completed 2 to 3 weeks after the year- end to ensure that all vendor invoices relating to services and material purchased have been received and entered.

  - Compare received vendor statements to balances per Accounts Payable and investigate any differences.

  - Consider making adjustments for any significant unrecorded liabilities such as work started prior to year-end, but not yet billed by the supplier.

  - Reconcile variances between books and confirmation received from vendors, and investigate for any variances.

- Retain a complete copy of Accounts Payable detail, along with any reconciling adjustments, in the year-end closing file.

- Accrued Expenses:
  - Review accruals for payroll, end of service benefits, social security, payroll deductions payable, interest expenses on short –term borrowings and long- term debt.
  - Determine the cost of tax (if applicable) and legal services through year –end and record.
- Debt:
  - Verify recorded accuracy of debt by ensuring the General Ledger balances agree to year–end statements from lending banks.
- Contingent Liabilities and Commitments:
  - Prepare a schedule of any outstanding obligations and possible losses.
  - Prepare a schedule of all long-term rental agreements with amounts due by year for the next five year.
- Stockholders' Equity:
  - Record any changes in the capital account, including distributions and additions to equity investments.
- Sales:
  - Depending on the features of the sales system there may be a variety of detailed sales reports, including product sales, sales by Geographical Area, and sales by category, or period reports for daily, monthly, and yearly intervals.
  - The VP Finance should periodically review sales trends, cost of sales, variable expenses and fixed expenses. Consider these values as a percentage of sales or compare to earlier sales periods.

  - Look for patterns, new trends, seasonal variances, or profitable emerging products that may indicate changes in customer behaviour.

  - The VP Finance should analytically review the sales reports and explain all variances. A detailed marketing/promotions journal can be used to correlate changes in sales to specific promotions. Note all expenses related to advertising, coupons, extended holiday work hours, and alike and identify their affect on sales.

  - Each expense total should be compared to expense total from the year before (and budgeted if applicable). Attempt to explain any unusual variances.

  - Some expense items are directly related to asset or liability accounts and can be reconciled in conjunction with the related balance sheet account.

- Cost of Goods Sold:

  - A detailed report should be produced of cost of sales and analyzed in relation to sales and to prior periods.

  - Analyse the ratios in relation to inventory levels (i.e. inventory turnover). Investigate any unusual variances.

- Payroll:

  - At year-end, the various payroll expense accounts should agree to total gross payroll per payroll reports. Accounts for all deductions for the Social Security.

- Bad Debt Expenses:

  - Prepare a list of all accounts written off during the year.

  - Perform bad debts allowances movements.

- Interest Expense:

  - Prepare a schedule of interest expense by source.

- Reconcile amounts to short-term borrowings and long-term debt.

11.3.21. The General Ledger Accountant is responsible for instructing all Sub-Ledgers FA Accountants for closing current sub-ledger fiscal periods prior closing The General Ledger Period.

11.3.22. Upon issuing the year end audited financial statements, The General Ledger Accountant should enter the year end closing entry in order to clear (zero Balance) next year Income statements opening balances (Revenue and Expense)

11.3.23. The Accounting Manager is responsible for supervising all opening/closing activities for the general ledger and sub ledgers fiscal year to be completed with in the first 25 working days of the next fiscal year at most.

11.4. Output

11.4.1. The output of the process is an open/closed general ledger and sub-ledgers fiscal periods with in the first 25 days of the next fiscal year at most.

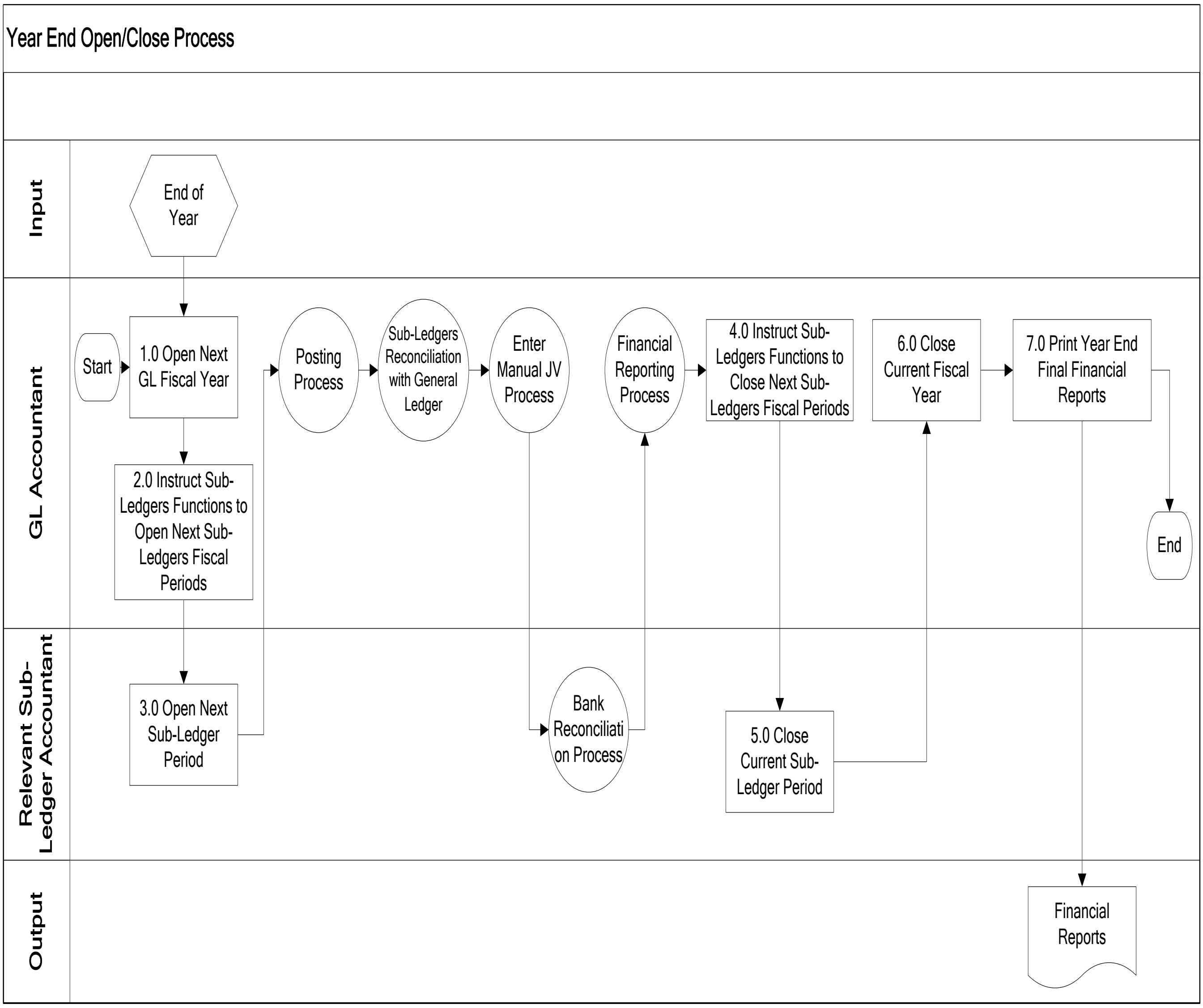
11.5. Related Processes

- Posting Process
- Sub-ledger Reconciliation with General Ledger Process
- Manual Journal Voucher process
- Financial Reporting Process
- Bank Reconciliation Process

11.6. Procedure

#	Step	Responsibility	Document
1.	Open next fiscal year	GL Accountant	
2.	Instruct Sub-Ledger Functions to open next Sub-Ledger fiscal period	GL Accountant	
3.	Open next Sub-Ledger period, then go through the following processes	Sub-Ledger Accountant	
	Post journal entries as per Posting process polices and procedures	Accounting Manager	
	Reconcile general ledger accounts with Sub-Ledger	GL Accountant	
	Enter any required adjusting entries as per manual JV process policies and procedures	GL Accountant	
	Perform bank reconciliation	Sub-Ledger Accountant	
	Print financial repots draft as per financial reporting process policies and procedures	GL Accountant	Financial Report Draft
4.	Instruct Sub-Ledgers Functions to Close Next Sub-Ledgers Fiscal Periods	GL Accountant	
5.	Close current Sub-Ledgers period	Sub-Ledger Accountant	
6.	Close Current Fiscal Year	GL Accountant	
12.	Print year end final financial reports	GL Accountant	Financial Reports

11.7. The Process Flow Chart



12. Financial Reporting Process

12.1. Purpose & Objective

12.1.1. The purpose of this policy is to set the controls and guidelines used for preparing the Company financial reports at the end of each fiscal period (month) and the Year / Quarter end fiscal period.

12.1.2. The objective of this process is to ensure that the reports prepared at the end of each fiscal period are reflecting the Company's actual performance in order to help the Company middle and Executive Management in the decision-making process.

12.2. Input

12.2.1. The input of this process is the end of the Company fiscal period, which triggers the financial reporting activities.

12.3. Policies

Reporting Standards

12.3.1. Financial reports should be properly presented in accordance to the generally accepted accounting principles. Furthermore, reports should also comply with the professional requirements issued by the Saudi regulatory agencies, namely the Ministry of Commerce, and the Saudi Organization of Certified Public Accountants (SOCPA).

12.3.2. The Company financial reports should be properly prepared by the Accounting Manager in accordance with the time schedule mentioned in the document.

12.3.3. The Company financial reports Amounts have to be expressed in thousands of Saudi Riyals (TSR) rounded to the nearest thousand without decimals, e.g.:

- TSR 1,516 instead of SR 1,516,386.12
- TSR 1,517 instead of SR 1,516,850.21

The Financial Reports

12.3.4. The Accounting Manager is responsible for preparing and validating a period end draft of The Company financial reports, and submits them to the VP Finance for Review.

12.3.5. The Company period end financial reports should contain the following mandatory reports:

- GL Accounts Trial Balance
- Balance Sheet
- Income Statement
- Statement of Cash flow
- Statement of Retained Earnings

12.3.6. The Company year end Financial Statements should be prepared by the Accounting Manager at end of the year, following are the Company mandatory Financial Statements:

- The Balance Sheet (Statement of Financial Position): Present information about Assets, Liabilities, and Owner's Equity (also known as Net Assets, Net worth, or Partner's Capital) and their relationship to each other. They reflect an entity's resources (Assets) and its financing structure (Liabilities and Equity) in conformity with general accepted accounting principals. The balance sheet reports aggregate the effects of transaction at the point in time.

- The Income Statement (P&L): Represents the company's operational sources of Cash-sales Revenue- or uses- business Expenses and is typically divided into operating periods that represents months, quarters or years of operations. It identifies the profitability of the company as a function of the zakat and accounting decisions. The Income Statement reports the effect of transactions over a period of time.

- The Statement of Cash Flows: it is the difference between the balance sheet sources and uses of cash and the Income Statement sources and uses of cash. This difference assists in identifying the health of the

company's operations. It identifies whether the company is producing cash or consuming cash and at what rate and from what sources.

- Statement of changes in Owner's Equity.
- Disclosures

12.3.7. Preparing The Company period end financial reports and submitting them for approval should not take more than one (3) working day at most.

Financial Statements Materiality

12.3.8. Materiality should be considered by the VP Finance when reviewing the financial statements. Materiality is defined by as the magnitude of an omission or misstatement in the financial statements that makes it probable that a reasonable person relying on those statements would have been influenced by the information or made a different judgment if the correct information had been known. Materiality as a criterion has both quantitative and qualitative aspects. Quantitatively, materiality has been defined in as 1% of total assets for receivables from officers and stockholders, 5% of total assets for separate balance sheet disclosure of items, and 10% of total revenue for disclosure of segment activities.

12.3.9. Materiality judgments should be primarily quantitative; the nature of a transaction or event can affect a determination of whether that transaction or event is material. For example, a transaction that, if recorded, changes a profit to a loss or changes compliance with ratios in a debt covenant to non-compliance would be material even if it involved an otherwise immaterial amount. Also, a transaction that might be judged immaterial if it occurred as part of routine operations may be material if it occurs in abnormal circumstances.

12.3.10. Another factor in judging materiality is the degree of precision that is possible to attain when making an estimate. For example, accounts payable can usually be estimated more accurately than a possible loss from the incurrence of a disposal obligation.

12.3.11. An error that would be material in estimating accounts payable might be acceptable in estimating the contingency. Certain events or transactions may be deemed to be material because of the nature of the item, regardless of the amounts involved, and thus require disclosure under any circumstance.

12.3.12. Offers to buy or sell assets for more or less than book value, litigation proceedings against the company pursuant to price-fixing or antitrust allegations, and active negotiations involving future profitability are all examples of items that would not be capable of being evaluated for materiality based solely upon numerical calculations.

Financial Reporting Timing

12.3.13. The Accounting Manager should follow 2 different procedures to generate the financial reports depending whether the period is a regular month during the year or the last period in the year.

12.3.14. The Financial Reports during the year should be generated as per the period end open/close process, polices and procedures, whereas, it should be generated as per the year end open/close process, policies and procedure at the end of the year.

12.3.15. The Accounting Manager should prepare the company financial statements at the end of each accounting period; prepared Financial Statements should be reviewed by the VP Finance & president before submitting them to the board of directors.

Reviewing Financial Reports

12.3.16. The VP Finance is responsible for reviewing and validating the submitted period end financial reports; any required corrections on the financial reports should be communicated to the Accounting Manager for necessary actions.

Financial Reports Corrections

12.3.17. The Accounting Manager is responsible for applying required corrections (requested by the VP Finance) on the financial reports within 1 working day.

12.3.18. The structure, layout and accounts of The Company financial reports should be predefined on the system, and maintained by the Accounting Manager as per the Chart of Accounts Maintenance process, policies and procedures.

12.3.19. Corrections to the financial reports could include (but not limited to):

- Financial reports structure/skeleton
- Financial reports Accounts

- Financial reports Notes

Printing Financial Reports

12.3.20. The VP Finance is responsible for printing approved financial reports, and distributing them to Executive Management for final validation and approval.

External Audit Activities

12.3.21. If the period is the last in the fiscal year, The Company's financial reports which are approved by the Board of Directors should be submitted to the external auditor for auditing purposes.

12.3.22. The Company external auditors are responsible for issuing The Company audited financial statements and required adjusting entries within 10 working days at most.

Year End Adjusting Entries

12.3.23. The VP Finance is responsible for receiving the output of the external auditing process, which include :

- The Company audited financial reports
- Year end adjusting entries

12.3.24. The VP Finance should forward the year end adjusting entries (If any) to the Accounting Manager to be reflected in the accounting system.

12.3.25. The application of the year end adjusting entries should be as per the manual journal voucher process, policies and procedures.

12.4. Output

12.4.1. The output of this process is periodically approved financial reports that actually reflect The Company performance during the periods and audited financial reports at the end of each fiscal year.

12.5. Related Processes

- Enter Manual Journal Voucher Process

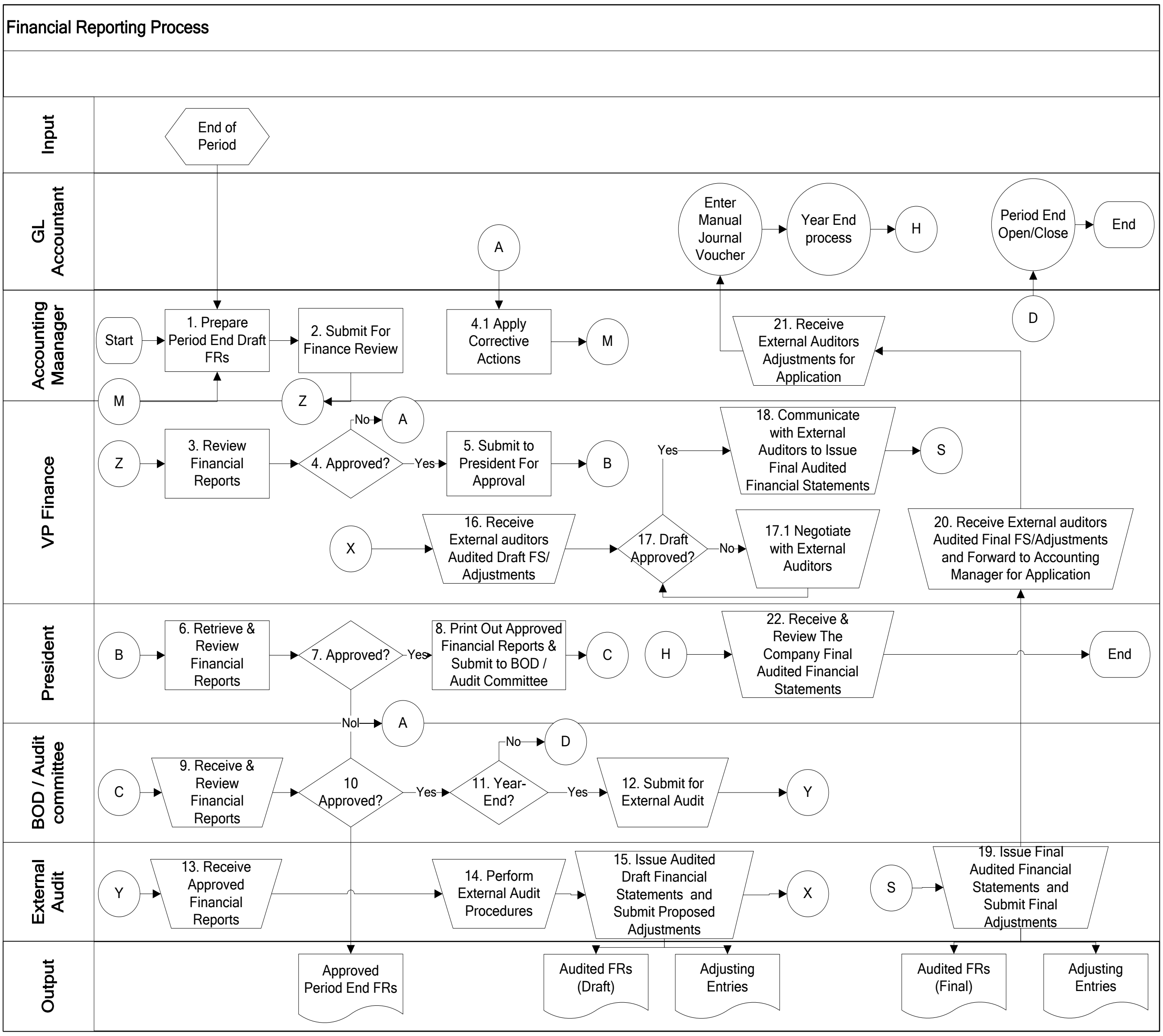
- Period End Open/Close Process
- Year End Open/Close Process

12.6. Procedure

#	Step	Responsibility	Document
1.	Prepare period end draft FRs	Accounting Manager	
2.	Submit FRs for finance review	Accounting Manager	
3.	Receive and review FRs	VP Finance	
4.	Approved? If not approved go to step 4.1 If approved go to step 5.	VP Finance	
4.1	Apply corrective actions and go to step (#1)	Accounting Manager	
5.	Submit to president for approval.	VP Finance	
6.	Retrieve & Review Financial Reports	President	
7.	Approved? If no go to step 4.1 If yes go to step 8.	President	
8.	Print Out Approved Financial Reports & Submit to BOD / Audit Committee	President	Approved Period End Financial Statements
9.	Receive & Review Financial Reports	BOD / Audit Committee	
10.	Approved? If no follow step 4.1 If yes go to step 11.	BOD / Audit Committee	
11.	Year-End? If no follow period end open/close	BOD / Audit Committee	

	process If yes go to step 12.		
12.	Submit for External Audit	BOD / Audit Committee	
13.	Receive approved financial report	External Audit	
14.	Perform External Audit Procedures	External Audit	
15.	Issue audited financial statements and submit adjustments	External Audit	Audited Financial Statements and Period End Adjustments
16.	Receive External auditors Audited Draft FS/Adjustments	VP Finance	
17.	Draft Approved? If no go to step 17.1 If yes go to step 18	VP Finance	
17.1	Negotiate with External Auditors	VP Finance	
18.	Communicate with External Auditors to Issue Final Audited Financial Statements	VP Finance	
19.	Issue Final Audited Financial Statements and Submit Final Adjustments	External Audit	
20.	Receive External auditors Audited Final FS/Adjustments and Forward to Accounting Manager for Application	VP Finance	
21.	Receive External Auditors Adjustments for Application, then follow enter manual journal voucher process	Accounting Manager	
22.	Receive & Review The Company Final Audited Financial Statements	President	

12.7. The Process Flow Chart



B. ACCOUNTS PAYABLE

13. Invoice Processing Process

13.1. Purpose & Objective

13.1.1. The purpose of this policy is to set the controls and the guidelines for processing items / service invoices based on Purchase Orders, Order Released or Receiving Report.

13.1.2. The objective of this process is to verify and match supplier invoices against received items / services and ensure no discrepancies identified.

13.1.3. Another objective of this process is to book the invoices to the system accurately and on a timely basis.

13.2. Input

13.2.1. The input to this process is the completion of items receiving as per the Planning & Inventory Management Department processes; another input to this process is the completion of purchasing activities as per Purchasing Department processes.

13.3. Policies

Receiving & Validating Supplier Invoices

13.3.1. All Supplier Invoices should be addressed to the Company Accounts Payable Accountant.

13.3.2. All service Invoices should be supported by completion of service signed by the Concerned Employee.

13.3.3. The Accounts Payable Accountant should abide to the Purchasing Agreement with the supplier on the payment terms (Purchase Order, etc); for example the Accounts Payable Accountant can not process any Invoice with out receiving the goods/items if this is the pre-defined agreement or vice versa.

13.3.4. The Accounts Payable Accountant should ensure that the Invoice has not been processed earlier; this should be done by checking the Supplier Statement, and any existing stock of un-processed supplier invoices.

13.3.5. The Accounts Payable Accountant should ensure that the Supplier Invoice belong to the Company (fault in sending Invoice) and the supplier exist in the Supplier Master before entering the invoice to the system; if the supplier doesn't exist it should be handled by the Purchasing Department as per Define / Update Supplier Process.

13.3.6. The Accounts Payable Accountant should ensure that all received Invoices are logged with all discrepancies (if any) provided by concerned employee prior to stamping them as received.

Entering Supplier Invoices

13.3.7. Once the Supplier Invoices are validated, the Accounts Payable Accountant should ensure that all received Invoices are entered to the system.

13.3.8. The Accounts Payable Accountant should enter required Supplier Invoice information including (but not limited to):

- Supplier name
- Invoice number
- Invoice Value
- Received date
- Description
- Payment terms

13.3.9. Only original, stamped, and signed Suppliers' Invoices will be accepted and recorded by the Accounts Payable Accountant. Non-original invoices should be put on hold and not booked in the system.

13.3.10. The Accounts Payable Accountant should ensure solving all Non-original (copy) invoices in coordination with related Department; Non-original invoices should be solved within 3 business working days.

13.3.11. The Accounts Payable Accountant should ensure that all Supplier Invoices created from Purchase Orders are not held against petty cash purchases or paid for by petty cash fund.

13.3.12. The Accounts Payable Accountant should ensure that all entered Supplier Invoices are filed in the related Supplier File as pending unpaid Invoice.

Matching Supplier Invoices

13.3.13. While entering the invoice the Accounts Payable Accountant should ensure proper matching of the Invoices with the supporting document:

- Purchase Order that has been fully authorized and supported by an authorized Requisition
- Receiving Reports or related contracts and agreements

13.3.14. The comparison (matching) should cover (but not limited to):

- Unit cost (Tons), Amount received (Receiving Report)
- Cost and Freight, customs, discounts
- Verification of vendor name, address.

13.3.15. In case of Invoice with multiple Purchase Orders, the Accounts Payable Accountant in coordination with Purchasing Department should check and match the Purchase Orders with the respective Invoice.

13.3.16. Once invoices are booked and reviewed, the Accounts Payable Accountant should ensure that all successful matched Supplier Invoices are submitted for approval.

Invoice Payment Scheduling

13.3.17. The Accounts Payable Accountant should ensure scheduling all approved invoices in accordance with supplier payment terms, the date basis, and payment groups.

Discrepancies in Supplier Invoices

13.3.18. Discrepancies in the Supplier Invoice should be handled by the Accounts Payable Accountant as per the Invoice Discrepancy Process, policies and procedures mentioned in this document.

Approving Supplier Invoices

13.3.19. Once supplier invoices are booked and matched, it should be forwarded to the Accounting Manager (with the original copies) for further validation and approval.

13.3.20. The activities related to validation and approval of supplier invoice by the Accounting Manager should be completed within 1 business working day at most.

13.3.21. The Accounts Payable Accountant should ensure that all received original Invoices are filed in the supplier respective file, for any unexpected problem.

13.3.22. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

13.4. Output

13.4.1. The output of this process is a supplier invoice that is reviewed, validated and booked in the Accounts Payable system.

13.5. Related Processes

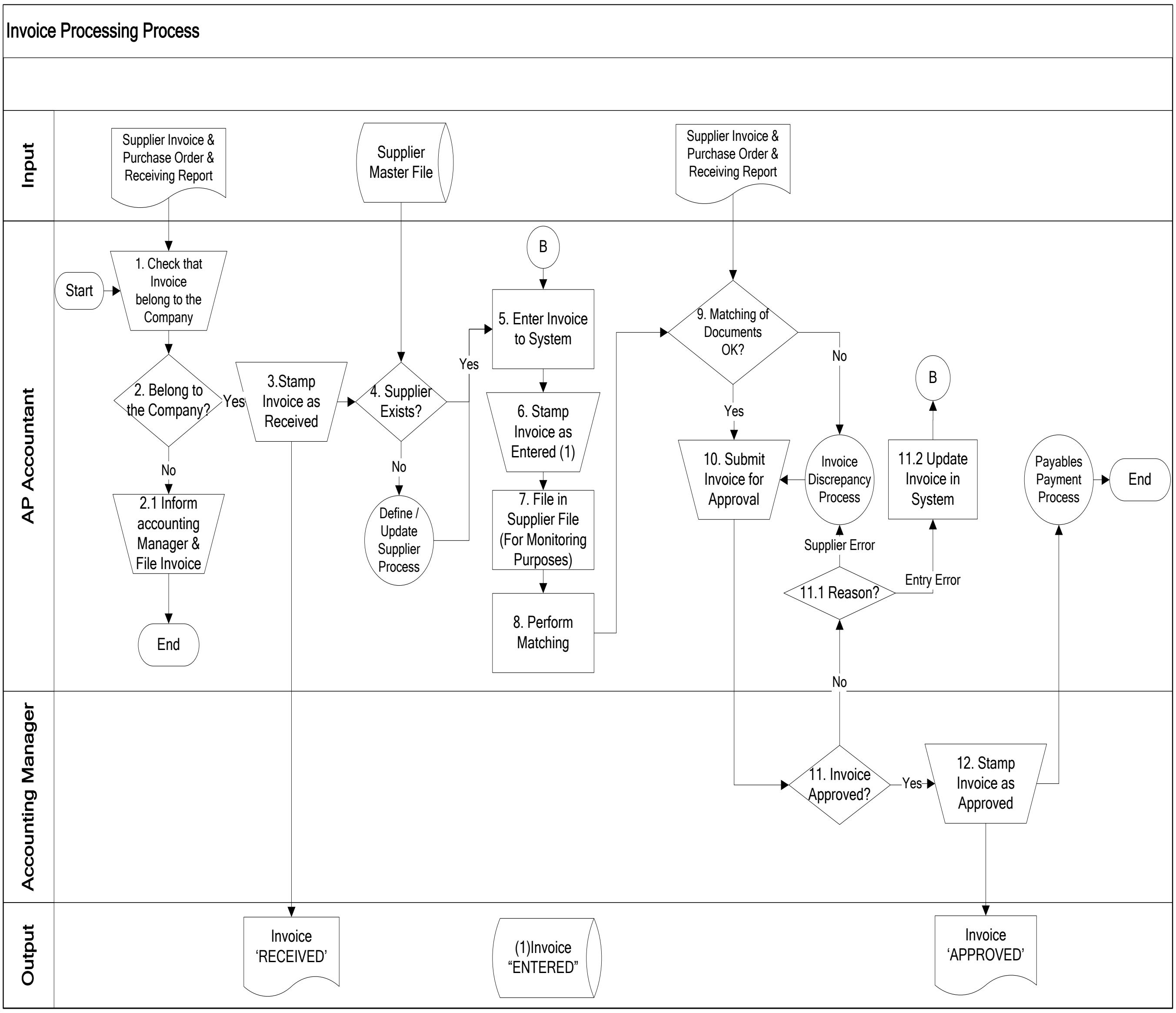
- Purchasing Department Purchase Order Process
- Material Management Department Receiving Items Process
- Define / Update Supplier Process
- Invoice Discrepancy Process
- Payables Payment Process

13.6. Procedure

#	Step	Responsibility	Document
1.	Check that Invoice belong to the Company	Accounts Payable Accountant	Invoice Received
2.	Belong to the Company? If no go to step 2.1 If yes go to step 3.	Accounts Payable Accountant	
2.1	Inform accounting Manager & File Invoice	Accounts Payable Accountant	
3.	Stamp Invoice as Received	Accounts Payable Accountant	
4.	Supplier Exists? If no follow Define / Update Supplier Process If yes go to step 5.	Accounts Payable Accountant	
5.	Enter Invoice to System	Accounts Payable Accountant	
6.	Stamp invoice as entered	Accounts Payable Accountant	Invoice Entered
7.	File in supplier file (for monitoring purposes)	Accounts Payable Accountant	
8.	Perform matching	Accounts Payable Accountant	
9.	Matching of Documents OK? If no follow Invoice Discrepancy Process If yes go to step 10.	Accounts Payable Accountant	
10.	Submit Invoice for Approval	Accounts Payable Accountant	

11.	Invoice Approved? If no go to step 11.1 If yes go to step 12.	Accounting Manager	
11.1	Reason? If supplier error follow Invoice Discrepancy Process If entry error go to step 11.2	Accounting Manager	
11.2	Update Invoice in System, then go to step 5.	Accounts Payable Accountant	
12.	Stamp Invoice as Approved, then follow Payables Payment Process	Accounts Payable Accountant	

13.7. The Process Flow Chart



14. Prepayment Creation & Petty Cash Reimbursement Process

14.1. Purpose & Objectives

14.1.1. The purpose of this policy is to set the controls and the guidelines used for prepayment creation and petty cash reimbursement.

14.1.2. The objective of this process is to verify and match all supporting documents related to the prepayment creation and petty cash reimbursement; this should be done accurately and in a timely manner.

14.2. Input

14.2.1. The input to this process is the need to pay in advance to the supplier based on a Prepayment Request form.

14.2.2. Another input to this process is the need to reimburse petty cash to petty cash custodian based on the Petty Cash Reimbursement Form.

14.3. Policies

Prepayment Creation Guidelines

14.3.1. As a general policy - and other than supplier agreed terms - prepayments can be made when there is a tangible benefit for the Company in making them, like getting a discount or reducing the purchase price of an item or a service. In addition, a prepayment (Advance Payment) could be required to commence work.

Prepayment Form

14.3.2. The concerned Function will initiate this process by filling a Prepayment Form; according to the terms agreed with the supplier Purchase Order; this should take place as per Purchasing Department processes policies and procedure.

14.3.3. The Accounts Payable Accountant should ensure that all prepayment is matched with Purchase Order(s) that were pre-agreed to specify that payment term in advance to supplier.

14.3.4. As well as in case when prepayments are utilized for small amounts of purchases (the amounts should be provided by the Finance Department) an internal purchase requisition can be used.

14.3.5. The Accounts Payable Accountant should ensure that all Prepayment Forms for suppliers exist in the Company master file; if not the supplier should be defined as per the policies and guidelines in Define/Update Supplier Process, policies and procedures.

14.3.6. Prepayment (advanced payment) can be used for employees' expenses according to the Company grade compensations and the Human Resource policies and procedures.

14.3.7. As general Policy, all prepayments should be tracked in the company books as other receivables.

Petty Cash Reimbursement Form

14.3.8. As a general Policy, the company VP Finance should assign one petty cash custodian for each of the company locations, the Petty Cash custodian will be responsible for processing all petty cash payments.

14.3.9. The Petty Cash Custodian should only process payments for non-inventory items, the items that will be purchased by the petty cash funds should be predefined by the company Executive Management Team.

14.3.10. The allocated petty cash amounts (Funds) will be set by the VP Finance; the Custodian should request reimbursement when 75% of the petty cash fund has been disbursed.

14.3.11. Petty Cash payment will be used to reimburse the petty cash fund; the Custodian of the petty cash will initiate this process by filling the Petty Cash Reimbursement Form.

Approving Prepayment Form and Petty Cash Reimbursement Form

14.3.12. The Accounts Payable Accountant should ensure that all Prepayment Forms are approved by the Relevant Purchasing Supervisor, and Petty Cash Reimbursement Forms are approved by the Cash Management officer prior to processing it through the payment process.

Booking Prepayment Form and Petty Cash Reimbursement Form

14.3.13. Prepayment Forms with no Purchase Orders shouldn't be entered to system and should be returned to the Concerned Department for further revision and validation.

14.3.14. As a general Policy, the Cash Management Officer is responsible for reconciling and validating all submitted petty cash reimbursement Forms prior submitting them to Accounts Payable Accountant for payment processing purposes.

14.3.15. The Cash Management Officer should enter the Petty Cash Reimbursement Form and stamp it and the original attached invoices and receipts as reconciled after performing reconciliation.

14.3.16. Booking prepayment and petty cash reimbursements to the system by the Accounts Payable Accountant should comply with Invoice Processing process, policies and procedures; in other words, it will be booked to the system in a form of internal invoice.

14.3.17. The Accounts Payable Accountant should ensure processing (booking, validating and approving) of prepayments within one business working day.

Reconciliation Petty Cash Reimbursement Form

14.3.18. Prior to submitting the petty cash reimbursement to the Accounts Payable accountant, The Cash Management Officer should ensure that all submitted Petty Cash Reimbursement Forms have been reconciled to its supporting documents.

14.3.19. Supporting documents can be as follows:

- Invoices
- Receipts

14.3.20. The Cash Management Officer should contact related Custodian in case of any discrepancies takes place in the reconciliation.

Monitoring Petty Cash

14.3.21. The Cash Management Officer should conduct a surprise cash count of the petty cash fund randomly. Any shortage or excess in the fund should be

investigated; shortage or excess in the fund should be identified through reconciling the held invoices and receipts plus the remaining amount of the petty cash with the petty cash fund total amount.

14.3.22. The unexplained shortage will be charged to the petty cash custodian personal account; the excess should be treated as a gain.

14.3.23. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

14.4. Output

14.4.1. The output of this process is approved Prepayment Request / approved Petty Cash Reimbursement Form, and a processed request in the system.

14.5. Related Processes

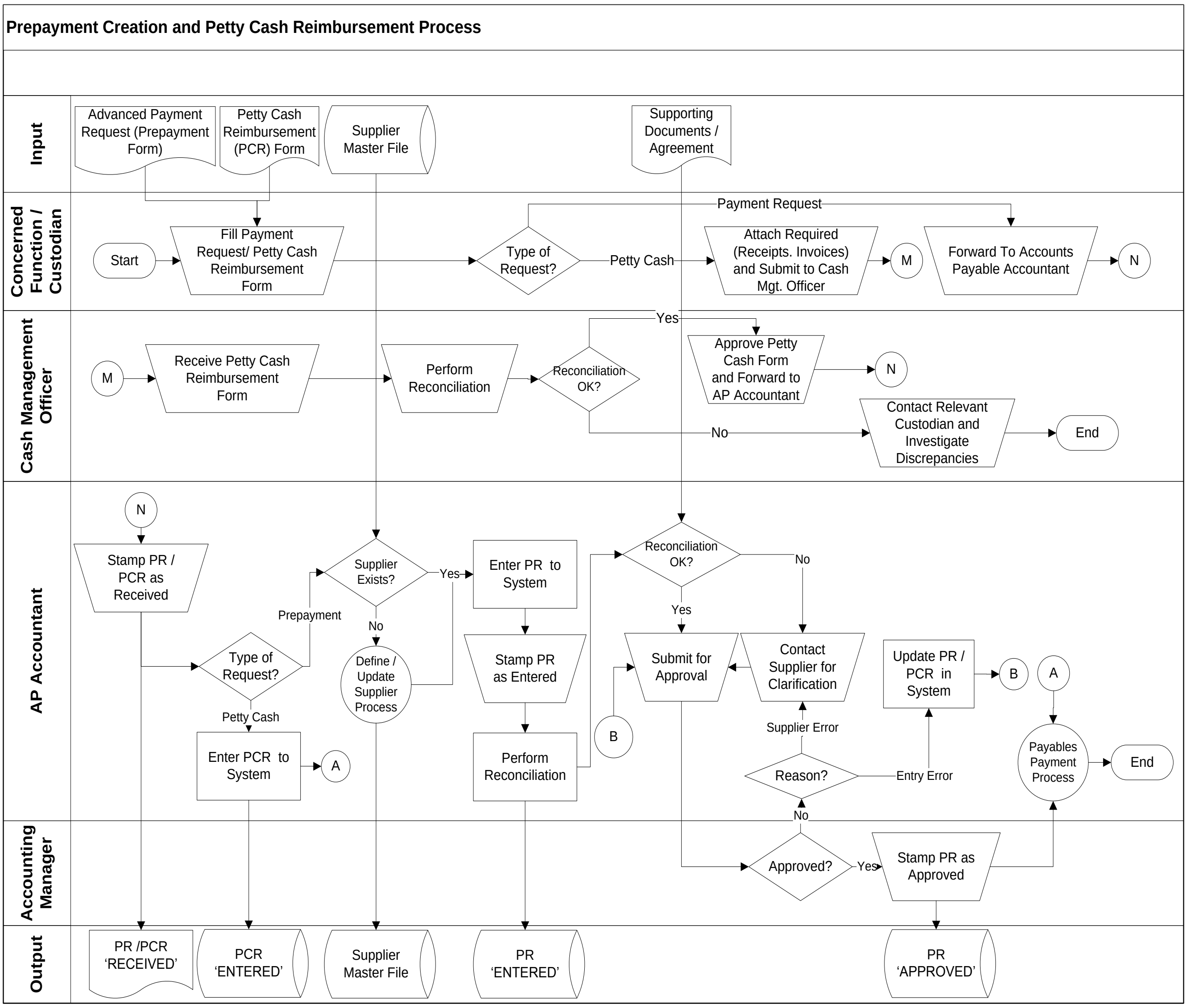
- Define / Update Supplier Process
- Payables Payment Process

14.6. Procedure

#	Step	Responsibility	Document
1.	Submit Payment Request (Prepayment Form) and forward it to the Accounts Payable Accountant	Concerned Department	
2.	Fill Petty Cash Reimbursement Form and forward it to the Accounts Payable Accountant	Custodian	
3.	Stamp Payment Request / Petty Cash Reimbursement as received	Accounts Payable Accountant	Receive Payment Request / Petty Cash Reimbursement
4.	If request is petty cash reimbursement go to step (#7), if prepayment go to step (#5)	Accounts Payable Accountant	
5.	If supplier exist go to step (#7), if not go to step (#6)	Accounts Payable Accountant	
6.	Conduct Define / Update Supplier Process, then go to step (#7)	Accounts Payable Accountant	

#	Step	Responsibility	Document
7.	Update Payment Request/ enter Petty Cash Reimbursement into the system	Accounts Payable Accountant	Updated Payment Request / Petty Cash Reimbursement Entered
8.	Stamp Petty Cash Reimbursement as entered	Accounts Payable Accountant	
9.	Perform reconciliation	Accounts Payable Accountant	
10.	If reconciliation ok go to step (#12), if not go to step (#11)	Accounts Payable Accountant	
11.	Update, contact supplier for clarification, then go to step (#12)	Accounts Payable Accountant	
12.	Submit for approval	Accounts Payable Accountant	
13.	If approved go to step (#16), if not go to step(#14)	Accounting Manager	
14.	If reason for rejection supplier error go to step (#11), if entry error go to step (#15)	Accounts Payable Accountant	
15.	Update Payment Request / Petty Cash Reimbursement in the system, then go to step (#12)	Accounts Payable Accountant	
16.	Stamp Payment Request / Petty Cash Reimbursement Form as approved	Accounting Manager	Approved Payment Request / Petty Cash Reimbursement
17.	Conduct Payable Payment Process	Accounts Payable Accountant	

14.7. The Process Flow Chart



15. Invoice Discrepancy Process

15.1. Purpose & Objective

15.1.1. The purpose of this policy is to set the controls and the guidelines used for resolving discrepancies in invoices between the Company and the supplier; (for example the Company being undercharged or overcharged, supplier giving incomplete service work, etc).

15.1.2. The objective of this process is to reach a solution for resolving an invoice discrepancy in the most efficient way and in a timely manner.

15.2. Input

15.2.1. The input to this process is Receiving Report describing the status of the received items / services; (with all supporting documents if any).

15.2.2. Another input to this process is a notice for incorrect value of invoice from the End User Function.

15.3. Policies

Identify Reason of Discrepancy

15.3.1. The Accounts Payable Accountant should ensure that all Supplier Invoices under dispute are segregated and not processed; the concerned parties (warehouse, supplier) will be informed of the dispute in order to solve the Issue and take the corrective action.

15.3.2. The reason of discrepancy can be categorized as follows (not limited to):

- Purchase Order Error
- Invoice Overcharged
- Invoice Undercharged
- Excess Amount
- Shortage Amount

15.3.3. The Accounts Payable Accountant should ensure identifying the reason of the discrepancy before taking the corrective actions.

Purchase Order Error

15.3.4. If the Accounts Payable Accountant detects an error in the Purchase Order, then he should contact the Purchasing Department to ensure validity of the related Purchase Order.

15.3.5. In case of any discrepancy in the received supplier invoice example payment terms, higher discount percentage, lower discount percentage etc., the Accounts Payable Accountant should refer to the Purchase Order and bond to it.

15.3.6. In case the Purchase Order is not valid, the Purchasing Department should provide new Purchase Order in coordination with the Concerned User Department.

Invoice Overcharged

15.3.7. If the Accounts Payable Accountant detects an overcharge in the invoice amount, the overcharging should be communicated through a letter to the supplier requesting a Credit note or new invoice with the right amount.

15.3.8. If the supplier refuses sending credit note, the overcharged letter will be sent to the supplier with the original invoice; this should take place in coordination with the Purchasing Function within 3 business working days.

Invoice Undercharged

15.3.9. If the Accounts Payable Accountant detects an undercharge in the invoice amount, the undercharging should be communicated through a letter to the supplier requesting a Debit note or new invoice with the right amount.

15.3.10. If supplier refuses a debit note as a result of undercharge, then a new Invoice from supplier will be needed; this should take place in coordination with the Purchasing Department within 3 working days.

Excess Items

15.3.11. Excess Material (to be returned to supplier), excess material does not effect the purchasing plan; Planning & Inventory Manager can make the decision what to return or keep material received.

15.3.12. In case of Shortage in material it should be handled as per logistics /Planning Inventory Function process policies and procedures.

15.3.13. The Accounts Payable accountant should ensure that all credit / debit notes for suppliers are approved by the Financial Controller as per the invoice processing process.

15.3.14. The Accounts Payable Accountant should ensure processing all on-hold invoices after they are resolved and approved.

Corrective Actions as a Result of Discrepancy

15.3.15. The Accounts Payable Accountant (in coordination with the Purchasing Function) should give recommendations for actions and penalties to be applied to the supplier in the following ways:

- Send Letter of Complaint
- Reduce supplier rating (if possible)
- Look for alternate supplier (if possible)
- Demand for compensation through debit / credit memo
- Or penalty as per SLA (Service Level Agreement) terms of the Contract agreed if there is one

15.4. Output

15.4.1. The output of this process can be:

- New Purchase Order (in case of Purchase Order problem)
- Supplier sending Credit Note
- The Company sending Debit Note to supplier

- New Invoice from supplier

15.5. Related Processes

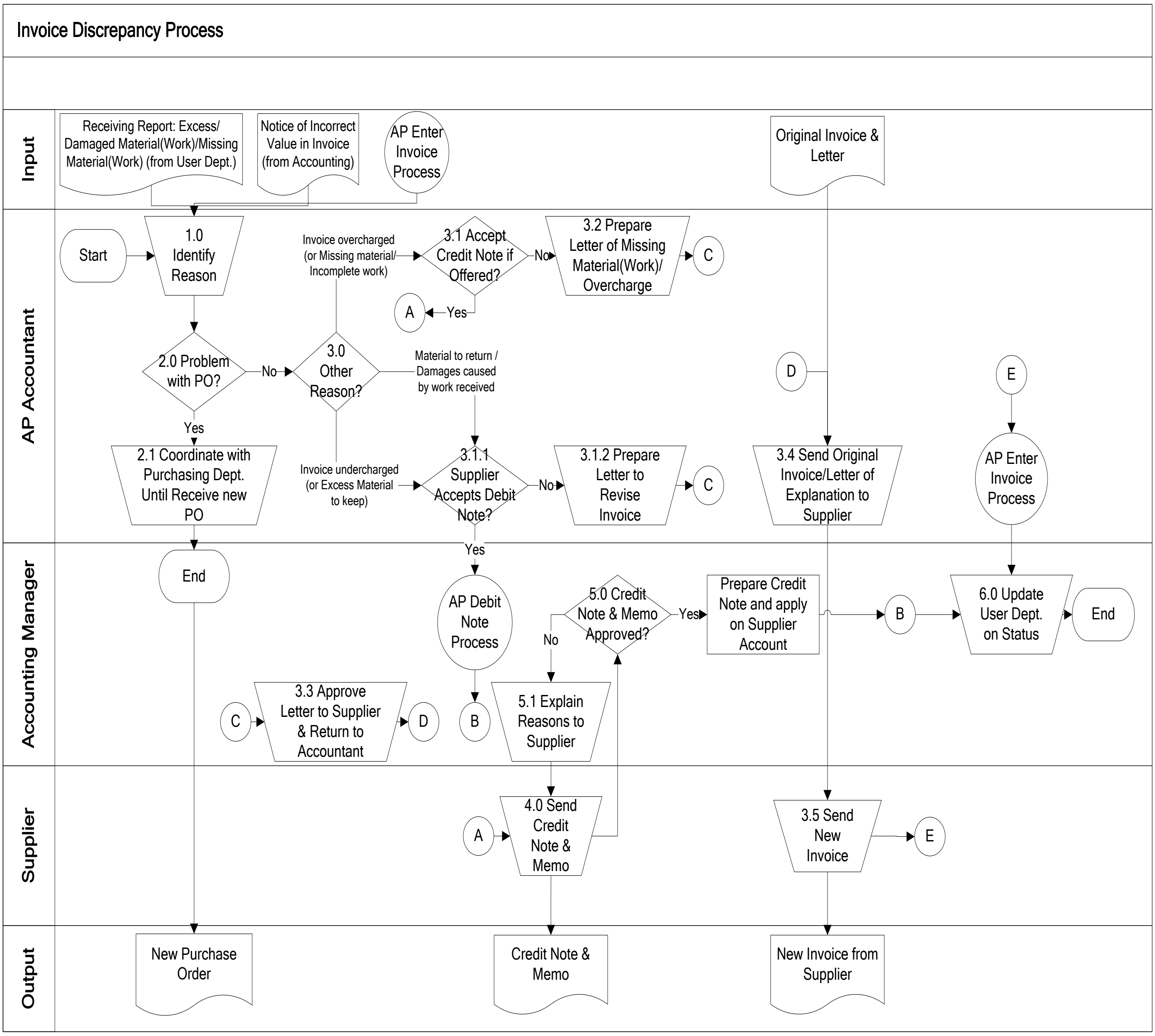
- Create Credit / Debit Note Process
- Payables Payment Process
- Define / Update Supplier Process

15.6. Procedure

#	Step	Responsibility	Document
1.0	Start by identifying the reason for the invoice discrepancy. Excess/Damaged/Missing Material notice from User department can be given to the Accountant via the Receiving Report. Or, Notice of Incorrect Value in an Invoice can come from Accounting itself.	AP Accountant	Notice of Incorrect Value in an Invoice, Excess/Damaged/Missing Material Notice
2.0	If there is a problem with the PO and not with the invoice, then follow Step 2.1 If there is not a problem with the PO then it is an invoice problem/discrepancy that needs to be resolved. Follow Step 3.	AP Accountant	Invoice and Purchase Order (PO)
2.1	Coordinate with the User Department until receive a new PO to Match with the Invoice. Return back to the Matching Step in the relevant AP Invoice process.	AP Accountant	New PO
3.0	Based on identifying the reason, the Accountant will proceed. If there is material Missing or the supplier Overcharged AAC, then Step 3.1 is followed. If there is excess material or damaged material that AAC wants to return, then Step 3.1.1 is followed. If there is excess material that AAC wants to keep or the supplier Undercharged AAC, Step 3.1.1 is followed	AP Accountant	Receiving Report, Invoice
3.1	If AAC will accept a Credit Note then Step 4 is followed whereby the Supplier will issue a Credit Note to AAC specifying how much	AP Accountant	Credit Note

	they owe. If AAC will not accept a Credit Note then Step 3.2 is followed.		
3.1.1	If the Supplier accepts a Debit Note, AP Debit Note Process is followed, followed by Step 6 after that. If Supplier does not accept a Debit Note, Step 3.1.2 is followed.	AP Accountant	Debit Note
3.1.2	Prepare a letter to the Supplier informing them of the reason requesting a new invoice i.e. need to revise invoice based on being undercharged or receiving an excess of material. Follow Step 3.3	AP Accountant	Letter: Request for New Invoice
3.2	Prepare a Letter to the supplier mentioning the missing material and/or the Overcharge in the invoice and/or incomplete service work (making sure to reference the Invoice number and date). Follow Step 3.3	AP Accountant	Letter: Missing Material / Incomplete Service or Overcharging
3.3	Approve Letter	AP Accountant	Invoice
3.4	Send Letter to Supplier with Original Invoice		Invoice, Letter
3.5	Supplier receives the letter and sends a new invoice. This is followed by the AP Enter Invoice Process to the invoice followed by Step 6.	Supplier	New Invoice
4.0	Supplier will send a Credit Note & Memo to AAC. Continue to Step 5.0	Supplier	Credit Note & Memo
5.0	Review and approve the Credit Note & Memo from the Supplier. If approved, follow AP Credit Note Process to enter the credit note followed by Step 6. If not approved, follow Step 5.1.	Accounting Manager	Credit Note & Memo
5.1	Explain to the Supplier why the Credit Note & Memo was not accepted and ask for a new one. Return to Step 4.	Accounting Manager	Credit Note & Memo
6.0	Inform relevant User Dept. of status on what happened. The process ends.	Accounting Manager	

15.7. The Process Flow Chart



16. Payables Payment Process

16.1. Purpose & Objective

16.1.1. The purpose of this policy is to set the controls and the guidelines used for payment of scheduled invoices using the cheque, cash or bank transfer methods.

16.1.2. The objective of this process is to ensure that payments are issued accurately and on a timely manner.

16.2. Input

16.2.1. The input to this process is the availability of scheduled invoices that are due to be paid.

16.2.2. Another input to this process is the completion of Prepayment Creation & Petty Cash Reimbursement Process (advanced payment or reimbursement of petty cash fund).

16.2.3. Another input to this process is the completion of Invoice Discrepancy Process.

16.2.4. Another input to this process is the completion of Payroll Process.

16.3. Policies

Payment Methods, Terms and Group

16.3.1. The following are considered as a Payment Methods that the Accounts Payable Accountant can use:

- Hard Cash
- Cheques
- Bank Transfer
- Letter of Credit (LC)

16.3.2. All payments except LCs or bank transfer should be made via checks unless the paid amount is less than S.R. 1500 then cash can be the method of payment.

16.3.3. The Accounts Payable Accountant should ensure using the Payment Method that is agreed with the supplier; in case of modifying the payment method, the decision should be communicated to the Supplier; the payment will be processed after obtaining the Supplier's approval.

16.3.4. The Accounts Payable Accountant should ensure using the following Payment Terms :

- Immediate
- Net 30
- Net 60
- Net 90

Payroll Payments

16.3.5. The Payroll Payment should be processed as per Payment Voucher guidelines mentioned in this document.

16.3.6. The methods of payment (cash, check or bank transfer) should be determined by the Human Resources Function as per Payroll Process policies and guidelines.

16.3.7. The Payroll Accountant is responsible for processing the payments once received from Human Resource Department and should treat the payment amount with high level of confidentiality.

16.3.8. Immediately after processing the company's payroll, the Payroll accountant should enter the payroll journal entry directly in to the general ledger as per manual journal entry process, policies and procedures.

16.3.9. As a general policy, the Accounting Manager is responsible for approving submitted payroll payment voucher, prior to forwarding them to the Cash Management Officer for processing purposes.

16.3.10. The Accounting Manager should review and approve entered payroll journal voucher prior to the transfer process of the AP Transactions to the General Ledger takes place.

Preparing of Payment Voucher

16.3.11. The Accounts Payable Accountant should review supplier-related reports on daily basis in order to view due payments, including which are overdue. The reports to be used are:

- Supplier Statement of Account Report
- Supplier Aging Report
- Supplier Invoice Detail Report
- Supplier Payment Detail Report

16.3.12. Processing payment by the Accounts Payable Accountant will be based on preparing a Payment Voucher (PV) for each scheduled Invoice (or invoice batch); this should be done as per the payment rules of the payment voucher.

16.3.13. The Accounts Payable Accountant should ensure that all suppliers with debit balance are not paid for outstanding invoices; the debit balance is to be reconciled against future invoices if any.

16.3.14. The Accounts Payable Accountant should ensure excluding all stopped invoices from the Payables Aging Report, unless they had been released and approved for payment.

16.3.15. The payment rules that will be utilized by Accounts Payable Accountant while preparing the payment voucher cover the following elements (but not limited to):

- Supplier Category
- Payment Type – with details if Cheque or Bank Transfer
- Due Date
- Currency

- Payment Group
- Supplier Location (foreign, local)
- Payment Description
- Cash Account Number
- Preparer Name and Signature
- Approver Name and Signature

16.3.16. The Accounts Payable Accountant will utilize the system to electronically select the appropriate scheduled invoice - as per the payment rule – and generate a Payment Voucher.

16.3.17. It is strictly prohibited to replace an eligible supplier (to be paid) with an alternative supplier (unless Executive Management Team needs to do so with proper justification).

16.3.18. Invoices should be paid net of retention applicable as per the contract / agreement with suppliers and should be classified under retentions payable in the Company's accounts.

16.3.19. The Accounts Payable Accountant should consider the payment amount in cases where a discount for early payment is offered, the payment due dates should be taken into consideration so the Company can avail from the early settlement discount opportunity. (If available).

Validation of Payment Voucher

16.3.20. The Accounts Payable Accountant should validate the following before submitting the Payment Voucher for approval. This should be done against:

- Receiving Report
- Purchase Order
- Approved Invoice

- Supplier Statement of Account
- Supplier Aging Report

16.3.21. It's the responsibility of the User Function or Purchasing Department to update the Accounts Payable Accountant for all discount issues related to the suppliers; to facilitate the validation of Payment Voucher.

Approving Payment Voucher

16.3.22. Once the payment batch is reviewed and validated by the Accounts Payable Accountant it should be forwarded to the Accounting Manager for further revision and approval.

16.3.23. As a general Policy, all payment vouchers for vendors for goods and services against properly approved PO, Contract or agreement should be approved in accordance with the delegation of authority matrix (DoA).

16.3.24. All approved Payment Vouchers should be forwarded to the Cash Management Officer for disbursement as per the Disbursement Process policies and guidelines.

Direct Payments

16.3.25. Payments for services without Purchase Orders (also known as direct payment, agreed contracts and bills) such as telephone bills, postage, etc; should be approved by the Accounting Manager prior to forwarding it to the Cash Management Officer for processing.

16.3.26. As a general rule, the Accounts Payable Accountant should ensure that supplier statement has been received and reconciled with the system generated statement on monthly basis in order to avoid any discrepancy if any.

16.3.27. As well as, the Account Payable Accountant should ensure receiving supplier confirmation on the balance statement on periodic basis (quarterly).

16.3.28. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

16.4. Output

16.4.1. The output of this process is the approved Payment Voucher; and update to the payable balance, and Supplier Statement of Account.

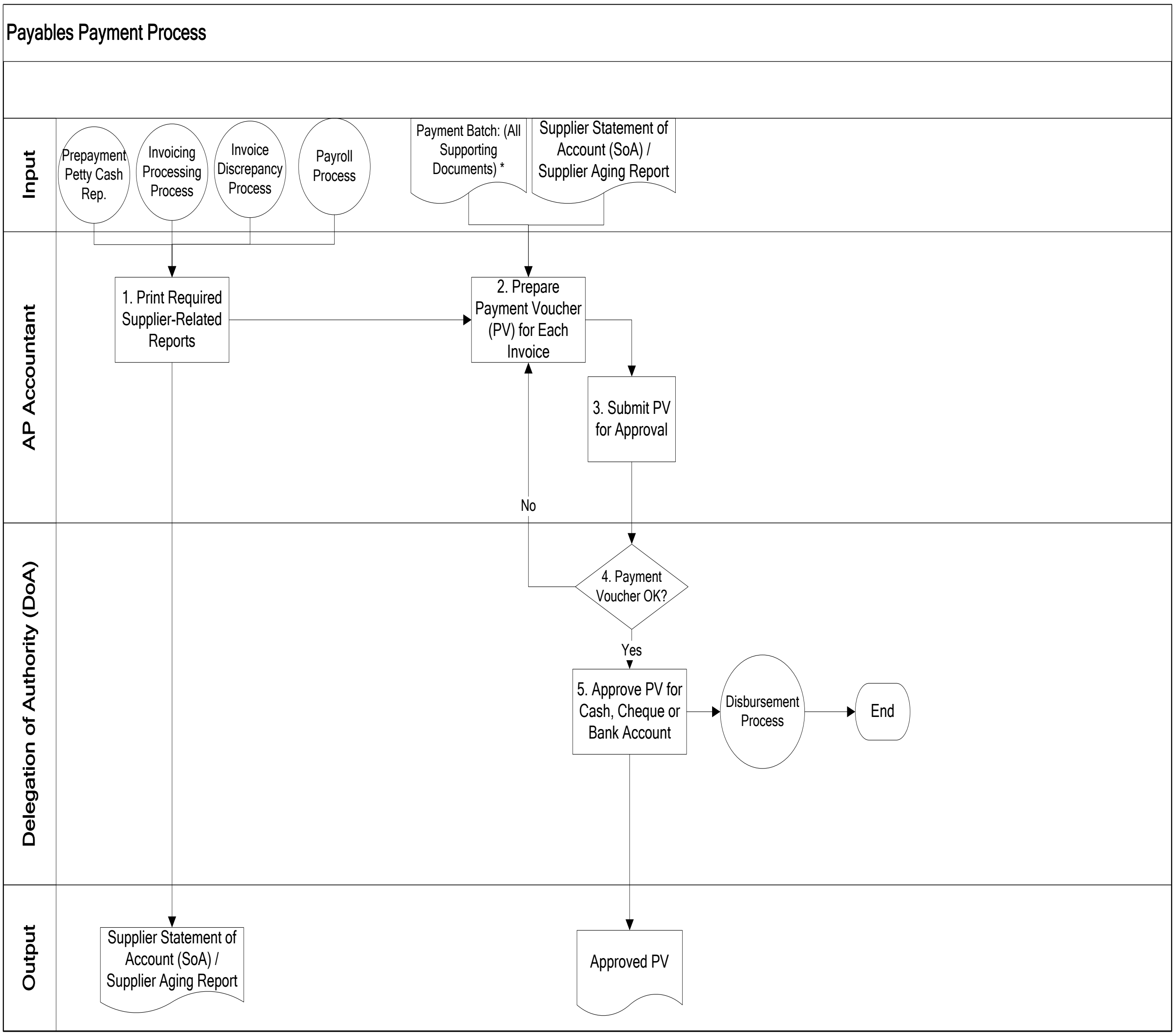
16.5. Related Process

- Prepayment Petty Cash Reimbursement Process
- Invoicing Processing Process
- Invoice Discrepancy Process
- Disbursement Process
- Payroll Process

16.6. Procedure

#	Step	Responsibility	Document
1.	Print required Supplier-Related Reports	Accounts Payable Accountant	
2.	Prepare Payment Voucher (PV) for each invoice	Accounts Payable Accountant	
3.	Submit PV for approval	Accounts Payable Accountant	
4.	Payment voucher ok? If Payment Voucher approved go to step (#5), if not go to step (#2)	In accordance with DoA	
5.	Approved Payment Voucher for cheque, cash, bank transfer, then Conduct Disbursement Process, the process will end here	Accounting Manager	Approved Payment Voucher

16.7. The Process Flow Chart



17. Create Debit / Credit Note Process

17.1. Purpose & Objective

17.1.1. The purpose of this policy is to set the controls and the guidelines used for creating debit / credit note to modify a supplier's liability.

17.1.2. The objective of this process is to ensure that the debit / credit note is made accurately (as per agreed terms) and on a timely manner.

17.2. Input

17.2.1. The input to this process is the Receiving Report that includes all items / services received from the supplier as well as all undercharged invoices to the related supplier (if any).

17.2.2. Another input to this process is invoices that required debit / credit for supplier as a result of Invoice Discrepancy Process.

17.3. Policies

Matching & Preparing of Debit / Credit Note

17.3.1. The Accounts Payable Accountant should ensure that all proper supporting documents have been provided from all concerned Functions before preparing the debit / credit note.

17.3.2. The following is considered as the supporting documents:

- The Receiving Report
- The Invoice which has been undercharged
- The Purchase Order
- Other documents related to the same supplier

17.3.3. The Accounts Payable Accountant will be responsible for preparing the debit / credit note and reviewing before booking it in the system.

17.3.4. The Accounts Payable Accountant should ensure preparing (booking in the system) the debit / credit note within one business working day.

Reviewing Debit / Credit Note

17.3.5. The Accounts Payable Accountant should ensure reviewing and validating all debit / credit notes against supporting document prior to submitting them for approval.

17.3.6. In case of any unclear information in the supporting documents the Accounts Payable Accountant should ensure clarifying them from the related Function prior to submitting.

Approving & Adjusting Debit / Credit Note Memo

17.3.7. The Accounting Manager should ensure proper revision and validation to all debit / credit note memos against supporting document prior to approving them.

17.3.8. In case of insufficient information the Accounting Manager should contact the Accounts Payable Accountant and ask for reprocessing of the debit / credit note.

17.3.9. The Accounts Payable Accountant should ensure that all approved debit / credit notes are submitted to the Purchasing department in order to forward them to the related supplier.

17.3.10. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

17.4. Output

17.4.1. The output of this process is a completed debit / credit note which is processed in the system and forwarded to the Supplier (through the Purchasing Function).

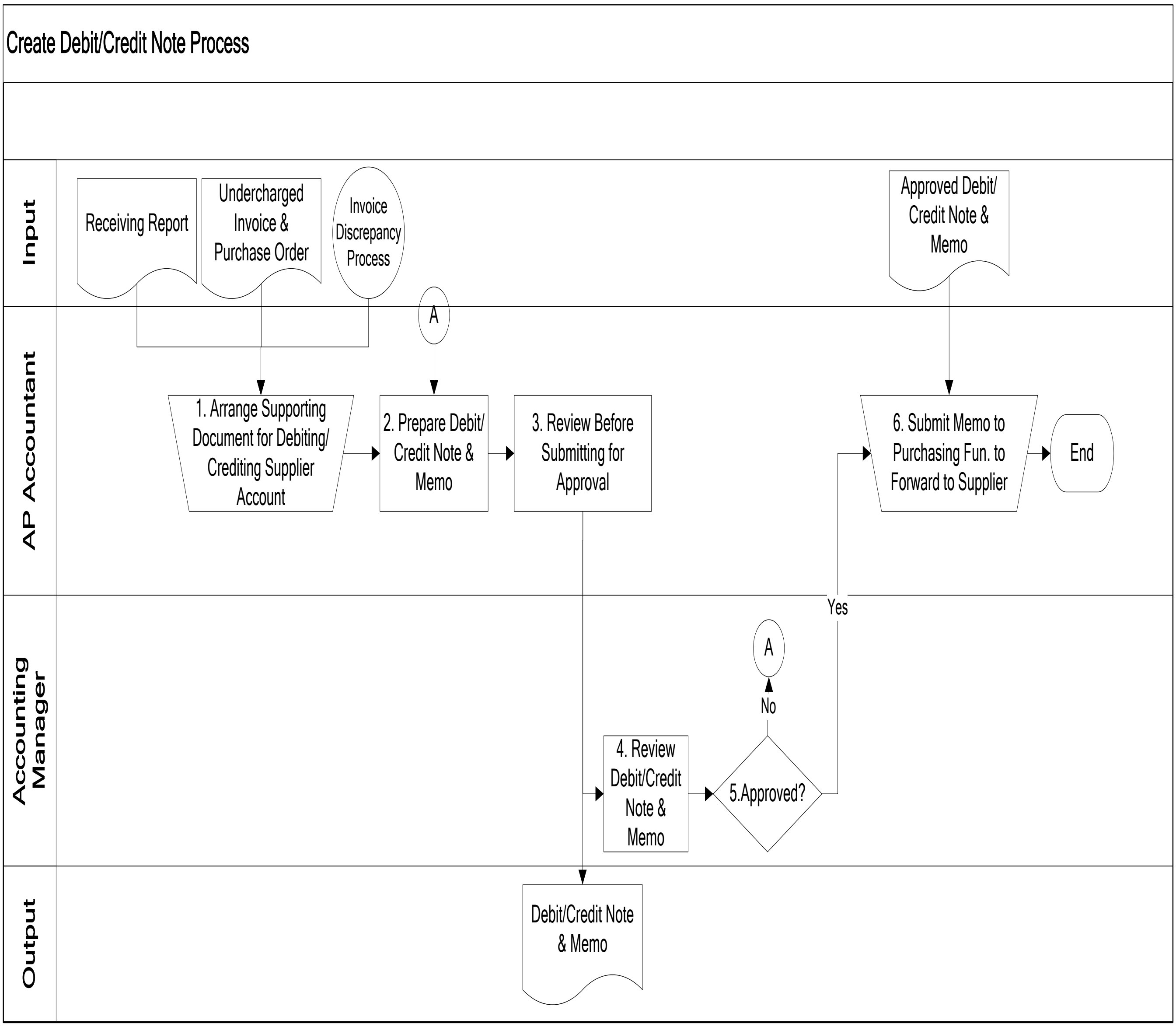
17.5. Related Processes

- Invoice Discrepancy Process

17.6. Procedure

#	Step	Responsibility	Document
1.	Arrange supporting document for debiting/crediting supplier account	Accounts Payable Accountant	
2.	Prepare Debit/Credit Note & memo	Accounts Payable Accountant	
3.	Review prior to submitting for approval	Accounts Payable Accountant	Debit/Credit Note & Memo
4.	Review Debit/Credit Note & memo	Accounting Manager	
5.	Approved? If approved go to step (#6), if not go to step (#2)	Accounting Manager	
6.	Submit memo to Purchasing Fun. to forward to Supplier	Accounts Payable Accountant	Approved Debit/Credit Note & Memo

17.7. The Process Flow Chart



18. Stop Payment Process

18.1. Purpose & Objective

18.1.1. The purpose of this policy is to set the controls and the guidelines used for stopping a payment sent to a supplier (before or after it was received).

18.1.2. The objective to this process is to stop a payment that has been sent to a supplier (before or after it was received) in a proper and timely manner while minimizing the risk to the Company.

18.2. Input

18.2.1. The input to this process is the Payment Voucher and stop payment request used to identify the payment that needs to be stopped.

18.3. Policies

Stop Payment

18.3.1. The VP Finance can't stop any released payment unless one of the following reasons takes place:

- Management Decision (Supplier can't provide his service any more, any strategic decisions regarding the supplier, etc)
- Operational reasons (Amount shortage, sending excess amounts, etc)
- Administrative reasons (error in supplier name, payment value, payment date, bank selected, etc)
- Financial reasons (if no sufficient fund is available)

Initiating (Stop / Release) Payment

18.3.2. The VP Finance should validate the request to stop the payment with the Payment Voucher and all supporting document (if any) before initiating the process.

18.3.3. The VP Finance is the only person that can communicate with the bank in order to stop the supplier payment.

Prepare & Process (Stop / Release) Payment Form

18.3.4. The Accounts Payable Accountant should prepare the (Stop / Release) Payment Form and revise the payment entry made before submitting the Form for approval.

18.3.5. The VP Finance should contact the supplier (in coordination with Purchasing Department) to solve the Payment issue and release the payment.

18.3.6. Accounts Payable Accountant should ensure that all approved (stop / release) payment requests are applied.

Approving (Stop / Release) Payment Form

18.3.7. The Accounts Payable Accountant should ensure that all (stop / release) of payments for supplier are approved by the designated approver, in accordance with delegation of authority matrix (DoA).

18.3.8. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

18.4. Output

18.4.1. The output of this process is payment being stopped or released to specific supplier.

18.5. Related Processes

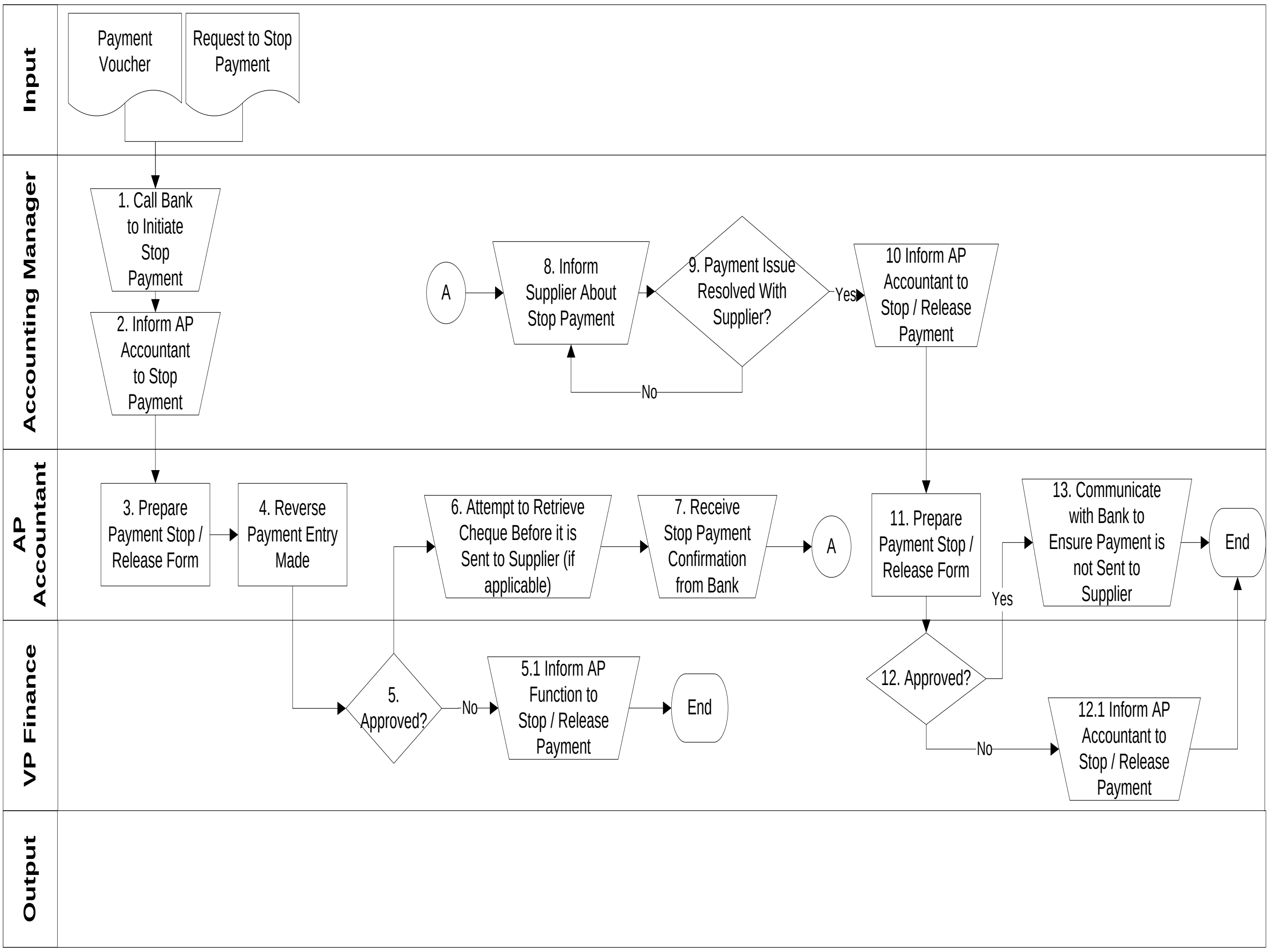
- Payables Payment Process

18.6. Procedure

#	Step	Responsibility	Document
1.	Call bank to initiate stop payment	Accounting Manager	
2.	Inform Accounts Payable Accountant to stop payment	Accounting Manager	
3.	Prepare Payment Stop / Release Form	Accounts Payable Accountant	Payment Stop / Release Form
4.	Reverse Payment Entry Made	Accounts Payable Accountant	
5.	Approved? If approved go to step 6. if not go to step 5.1	VP Finance	
5.1	Inform Accounts Payable Accountant to Stop / Release Payment, the process will end here	VP Finance	
6.	Attempt to Retrieve Cheque Before it is Sent to Supplier (if applicable)	Accounts Payable Accountant	
7.	Receive Stop Payment Confirmation from bank	Accounts Payable Accountant	
8.	Inform supplier about stop payment	Accounting Manager	
9.	Payment Issue Resolved With Supplier? If payment issue resolved with supplier go to step 10. If not go to step 8.	Accounting Manager	

#	Step	Responsibility	Document
10.	Inform Accounts Payable Accountant to stop / release payment	Accounting Manager	
11.	Prepare Payment Stop / Release Form	Accounts Payable Accountant	Payment Stop / Release Form
12.	Approved? If approved go to step 13 if not go to step 12.1	Delegation of Authority (DoA)	
12.1	Inform Accounts Payable Accountant to stop / release payment	Accounts Payable Accountant	
13.	Communicate with bank to ensure payment is sent to supplier, and the process will end here	AP Accountant	

18.7. The Process Flow Chart



19. End User Expenses Process

19.1. Purpose & Objective

19.1.1. The purpose of this policy is to set the controls and the guidelines used for managing the end user expenses.

19.1.2. The objective of this process is to ensure that all submitted expenses of the end users are processed and handled accurately and in a timely manner.

19.2. Input

19.2.1. The input to this process is an employee expense settlement with all supporting documents (receipts, invoices, etc).

19.3. Policies

End User Expenses

19.3.1. The End User Expenses are payment incurred by the employee (usually during travels), and is business related. The categorization of the User Expenses should be documented and published by the human resources Department.

Submitting Expenses

19.3.2. All User expense should be submitted electronically; this should include but not limited to:

- Beneficiary Name
- Subsidiary / Branch
- Date
- Category
- Amount
- Currency

- Description and Purpose
- Location (city / country)
- Categorized Expenses (Taxi, meals, visa, etc)
- Total of Claimed Amount

19.3.3. The End User Function should ensure providing all supporting documents (receipts, invoices, bills, etc) for the claimed expenses before submitting them for approval.

19.3.4. The End User Function should ensure submitting expenses within 7 business working days from the event completion; all delayed expenses should be approved by the VP Human Resources.

Approving End User Expenses

19.3.5. Accounts Payable Accountant should ensure that all end user expenses are approved electronically by the designated approver.

19.3.6. Relevant Approver should retrieve all receipts and invoices; submitted expenses with no invoice or receipts shouldn't be accepted (unless reasonable justification been provided).

19.3.7. The Company should have clear and strict employee expenses refund policies for all employees within the Company as per the Human Resource Department policies and procedures.

19.3.8. All approved expenses should be processed within one business working day by the Accounts Payable Accountant.

19.3.9. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

19.4. Output

19.4.1. The output of this Process is approved or rejected submitted expenses, and the processing of the submitted expenses as per the Invoice Processing process, policies and procedures.

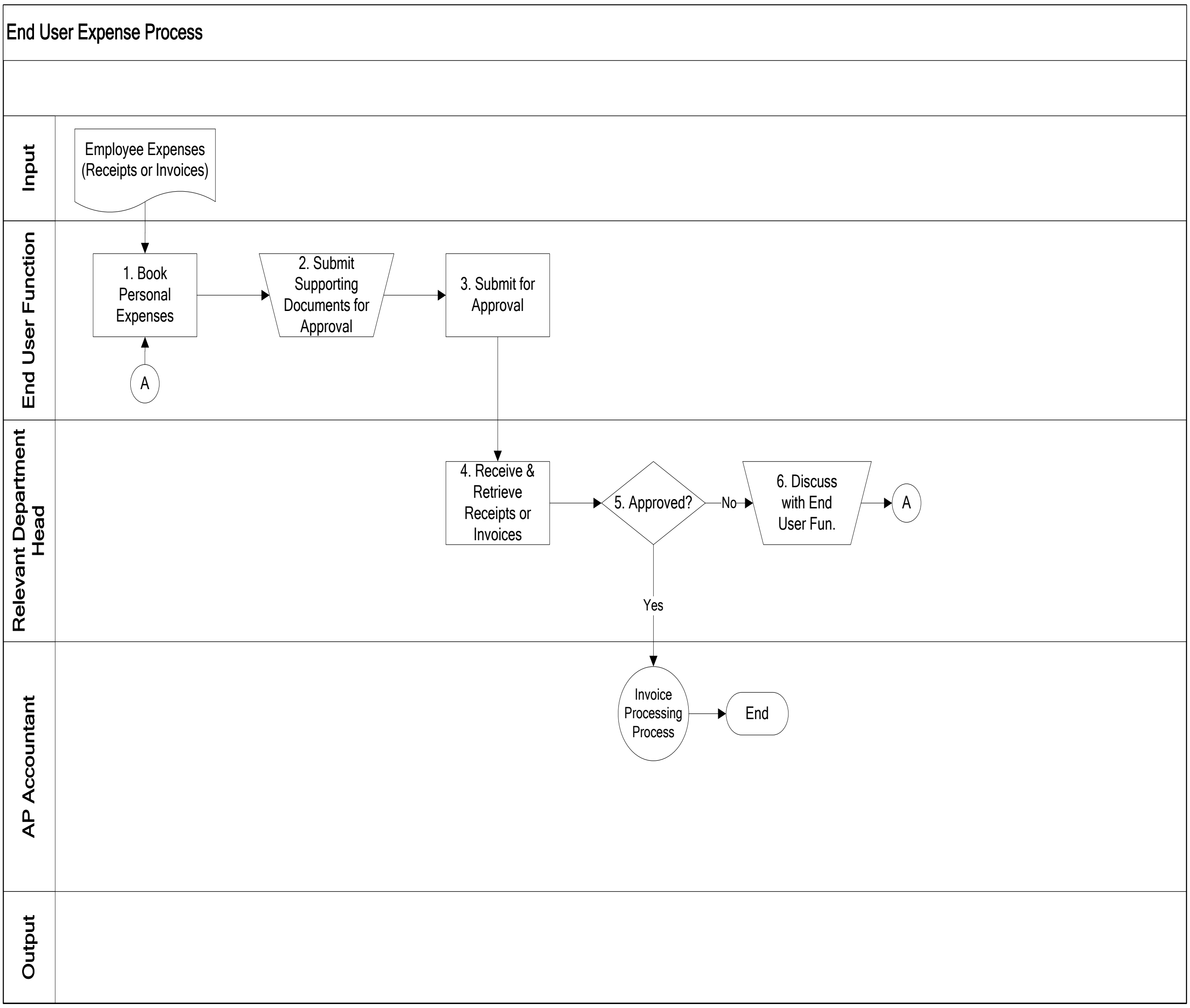
19.5. Related Processes

- Invoice Processing Process

19.6. Procedure

#	Step	Responsibility	Document
1.	Book Personal Expenses Report	End User Function	Expenses Settlement form
2.	Attach supporting documents with Personal Expenses Report	End User Function	
3.	Submit for approval	End User Function	
4.	Receive & validate receipts or invoices	Department Head Approver	
5.	Approved? If approved follow invoice processing process, then the process will end here if not go to step (#6)	Department Head Approver	
6.	Discuss with End User Fun, then go to step 1.	Department Head Approver	Rejected Expenses Settlement Form

19.7. The Process Flow Chart



20. Accruals and Provisions Policies

20.1. Purpose & Objective

20.1.1. The purpose of this policy is to set the controls and the guidelines used for managing accruals and provisions.

20.1.2. The objective of this process is to ensure that all accrued expenses or accruals are determined to the related liability, and booked on a timely manner.

20.2. Policies

Accruals Recording

20.2.1. The system should generate a list of commonly incurred expenses that have to be accrued at the end of each period this list has to be reviewed and validated by the Accounts Payable Accountant prior to submitting it for approval.

20.2.2. This list will serve as a reminder to ensure that all expenses have been identified. Examples of such expenses are:

- Salaries and wages
- Vacation and leave pay
- End of Service Benefits
- Professional fee
- Rent
- Insurance
- Interest
- Warranty costs
- Utilities (i.e. telephone, electricity, water)

20.2.3. End of service benefits payable to the employees should be provided for in accordance with the guidelines set by the Saudi Arabian Labour Law.

Accruals, Additions and Reversals

20.2.4. Unbilled services should be recorded and classified as accruals accrued at month-end.

20.2.5. If the actual amount of the accrued expense can not be determined at month-end, an estimate according to services performed previously should be used or it can be recorded in accordance to P.O or quotation received.

20.2.6. Towards the end of the month, the Accounting Manager should perform the following tasks:

- Prepare a detailed analysis which shows the calculation of the accruals for utilities such as electricity, water and telephone.
- Provision for slow and non moving inventory items obsolete and inventory.
- Provisions of doubtful and bad debts.
- Calculate the month's charges for the following employee related accruals received from HR Function:
- Provision for Annual Leave
- Unpaid Salaries
- Provision for Airfare Ticket
- Provision for End of Service Benefits
- Social Security(GOSI)

20.2.7. All accruals should be adjusted for book difference once the actual amount of the liability is known (Invoice received) or the accrual is paid.

20.2.8. All accruals should be recorded and classified in sufficient detail to support financial and management reporting. All accruals should be approved by the VP Finance.

20.2.9. The accrued liabilities should include all issued Purchase Order as well as not received supplier invoices.

20.2.10. Zakat provision is to be estimated on monthly basis, in order to calculate zakat due by year-end.

20.2.11. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

C. ACCOUNTS RECEIVABLE

21. Customer Creation Process

21.1. Purpose & Objective

21.1.1. The purpose of this policy is to set the controls and guidelines used for handling the customer master file.

21.1.2. The objective of this process is to ensure that the customer master file is centralized, showing unique records, accurate data, complete information and no duplication.

21.2. Input

21.2.1. The input to this process is a potential customer who is approaching the company for buying goods (Steel) from the Company.

21.2.2. Another input to this process is the company Sales Representative approaching potential customer, in order to establish a business relation (purchasing steel products)

21.3. Policies

Customer Type

21.3.1. Based on agreed payment method between the company and the customers, The company should maintain two types of customers:

- Credit Customer
  - Organization
  - Individual
- Cash Customer
  - Organization

- Individual

Customer Qualification Policy

21.3.2. The Company VP Finance should define & maintain a clear & strict customer qualification policy, which should identify customers' eligibility to purchase the company's goods on either credit or cash basis. This should be done based on analysis of the following factors (but not limited to):

- Customer History for Bad Debts (in case of old customer)
- Existence of the Company by Verifying Commercial Registration and Financial Status
- Customer Market Reputation
- Other Qualitative Factors (Determine by the Executive Management Team)

21.3.3. Prior to activating the Company's customer qualification Policy, The Company customer qualification policy should be reviewed by VP Finance and approved by President.

21.3.4. The VP Finance will be responsible to issue / publish the customer qualification policy (after Executive Management Team approval) to the General Manager of Commercial Operations, in order to take it in to consideration while assessing submitted potential customer's applications.

Granting Credit Facilities

21.3.5. As a general policy credit facilities should be granted to potential customers who fulfil the company's customer qualification policy requirements. (Referred to in this document as assessment). Credit Facilities can be given to Customers disregarding the customer nature (Organization or individual).

Customer Assessment

21.3.6. Assessment is defined as the analysis of the qualitative and quantitative factors of prospective/potential Customers. The outcome of the assessment activity is a decision whether the prospective Customer is eligible to be a customer or not.

21.3.7. There are two types of assessment, a preliminary and detailed. The preliminary assessment should be performed by the Sales Representative at the very initial stages of the sales opportunity. The detailed assessment is done by the Accounts Receivable Accountant and the Accounting Manager in later stages of the assessment activity.

Customer Preliminary Assessment

21.3.8. The preliminary assessment is a basic activity and will look at the general qualitative qualifications of the customer, example (but not limited to), reputation, company size, company owners, etc.

21.3.9. The Sales Representative should utilize New Customer Application (referred to as Customer Application) to log all available information about the prospective Customer. The information gathered should include customer information, financial information and trade information.

21.3.10. The Sales Representative should be responsible for capturing complete information provided by the customer. If captured information is not complete, the customer Application will not be assessed by further Functions.

21.3.11. The Sales Representative is supposed to obtain approval on the Customer Application from the Sales Manager.

21.3.12. As part of preliminary assessment, the Sales Manager is responsible to validate the details in the Customer Application and approve / reject the sales transaction with the prospective Customer. The decision should be reflected in the Customer Application.

21.3.13. The activities related to the preliminary assessment – done by the Sales representative - should be performed within 1 hour at most.

Sales Agreements

21.3.14. If the customer is preliminary accepted, the Sales Representative will be responsible to prepare draft Sales Agreements (if needed) between the Company and the customer to reflect the sales opportunity.

Detailed Assessment of Customers

21.3.15. The detailed assessment of the prospective Customer represents further exploration on the qualitative and quantitative factors. This will be based on the data gathered in the Customer Application.

21.3.16. The Accounts Receivable Accountant should perform the necessary verifications and review any available history for the prospective Customer in the Company customer master file.

21.3.17. Any bad history of the prospective customer should stop the assessment activity and consider the customer as illegible for Credit Facilities only cash will be accepted from such customer.

21.3.18. The assessment of the potential customer qualification should be done by the VP Finance and should take into consideration the following factors related to the customer (but not limited to):

- Income
- Total Years of Service
- Payment Term
- Qualitative Factors

21.3.19. The Assessment Model will assess the prospective Customer's qualification by utilizing information presented on the Credit Application. The model will return a credit score for each new customer. Based upon this score, customers will be assigned to a particular Class.

21.3.20. The VP Finance should assess the customer qualitatively by searching public and private sources for the following customer reputation characteristics:

- Bankruptcies
- Law Violations and Law Suits
- Relationship with Other Companies
- Fraud Actions
- Other

21.3.21. The President should be consulted (whenever the information on the customer Application is not enough) in order to determine the final decision of the assessment. This should be advised by the VP Finance.

21.3.22. Following is a sample customer assessment model:

Factor	Score	Weight	Best Score
1) Total Income (in SAR 1000)			
> 500,000	4	**20%**	4
100,000 – 500,000	3		
20,000 – 100,000	2		
< 200, 000	1		
2) Total Income/Credit AMT			
> 50 %	4	**10%**	4
31 - 50 %	3		
11 - 30 %	2		
< 10 %	1		
3) Total Years of Service			
> 15 years	4	**20%**	4
9 – 15 years	3		
4 – 8	2		
< 3	1		
4) Payment Terms		**30%**	
< 30 days	4		4
30 – 60 days	3		
60 - 90 days	2		
> 90 days	1		

Factor	Score	Weight	Best Score
5) Qualitative Factor		**20%**	
	4		4
	3		
	2		
	1		
Total		**100 %**	

21.3.23. The customer assessment model should be automated to the best efforts and should provide a final indicative score about the risk class of the prospective Customer.

Customer Risk Classes

21.3.24. Following are the customer Risk Classes that will be generated as a result of customer assessment.

- Class A – Very Low Risk Customers: Class A customers are defined as customers whereby available information reflects excellent credit standing, strong financial position and substantial financial resources.

- Class B - Low customers: Class B customers are defined as customers whereby available information reflects a good credit standing, sound financial position and substantial financial resources.

- Class C - Moderate Risk Customers: Class C customers are customers whereby adequate information and experience are either not sufficient or not promising. Financial resources indicate a risk associated with the customer profile.

- Class D - High Risk Customers: Class D customers are customers whereby adequate financial information is not sufficient to evaluate risk, or not promising

21.3.25. As a general rule, the Company should focus on maintaining customers whose risk classes is A & B; minimize operations with customers whose risk classes is C, and do not accept customers whose risk class is D.

Risk Class	Explanation	Score*
A	Very Low Risk	3.5-4
B	Low Risk	3-3.5
C	Moderate Risk	2-2.9
D (Kick out)	High Risk	1-1.9

$$\text{Score} = \sum_{8}^{1} (\text{Weight X Score})$$

21.3.26. As a general policy, all prospective Customers (whether accepted or not) should be entered to the system in order to maintain a history log of the transaction. This should be done as per the Defining Customer policies mentioned in this document.

21.3.27. The activities related to the detailed assessment should be completed by the Receivables within 1 working day at most.

Evaluation of the Company Customers

21.3.28. The detailed assessment of Credit Customers should be repeated on a monthly basis by the Accounts Receivable Accountant; this activity will monitor the customer's compliance to the company policy.

21.3.29. The Accounts Receivable Accountant should recommend any changes needed to the risk classes of the company Customers. These recommendations should be reported to the Accounting Manager and the VP Finance.

21.3.30. The Accounting Manager & the VP Finance should review and validate the recommendation related to re-classifying the risk classes of credit customers and authorize its execution.

21.3.31. The Accounts Receivable Accountant should execute the reclassification of the risk class of the customers as per the authorization of the Accounting Manager and the VP Finance.

21.3.32. Revision and validation of the risk class re-classification (by the Accounting Manager and VP Finance) should occur within 1 working day. The Accounts Receivable Accountant follows up to obtain timely authorization.

Defining Customers

21.3.33. Cash customers should be defined spontaneously – No assessment is required for cash basis customers. Defining customers in the system will take place by the Accounts Receivable Accountant.

The Customer Record

21.3.34. Strict control should be enforced on creating customer account and data. It is important to use common data for the same customer, as far as receivables are concerned, and uncommon data as far as other sales information is concerned.

21.3.35. A typical customer record should include the following details (at least):

- Name and Personal Details
- Customer Type
- Customer Contact information (Phone, Fax, E-mail, Website)
- Customer Address (Bill to location/ship to location)
- Customer Category(Government, private)
- Customer Profile (Credit Limit, Payment Terms, Shipping Schedule)
- Credit Classification (Risk Class)

21.3.36. The VP Finance should identify the customer risk class in order to define the credit limit for each customer; when ever the risk is slighter the credit limit is higher.

21.3.37. The Accounts Receivable Accountant should monitor the customer credit limit on monthly basis, for any credit limit violations the Accounts receivable should apply a credit hold for any sales transaction.

21.3.38. In case of applying a hold for a key customer or a valuable sale the accounts receivable Accountant should contact the VP Finance in order to release the hold, releasing the credit hold should be through the VP Finance.

21.3.39. The access to the customer master file is limited to the Finance and Sales Functions. No access is required to the customer master file from other Departments.

21.3.40. Defining customer record in the system should be performed within 6 working hours at most.

21.4. Output

21.4.1. The output of this process is a customer record that is defined to the system by the Accounts Receivable Accountant.

21.5. Related Processes

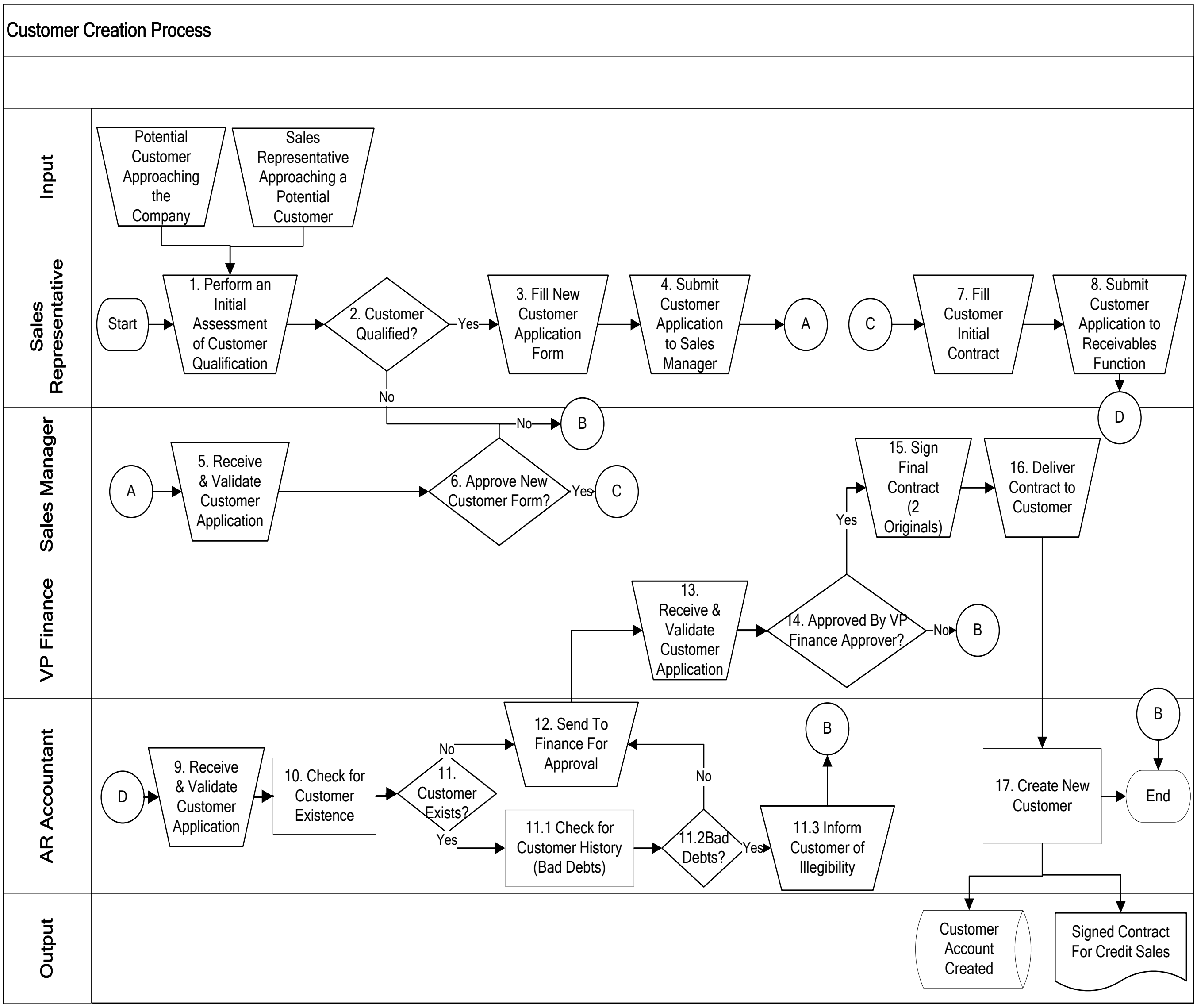
- Sales Process

21.6. Procedure

#	Step	Responsibility	Document
1.	Identify customer type, if credit go to step (#2) if cash go to step(#15)	Sales Representative	
2.	Perform an initial assessment of customer qualification; if customer qualified go to step(#3) if not go to step(#16)	Sales Representative	
3.	Fill new customer application form	Sales Representative	New Customer Application Form
4.	Submit credit customer application for approval	Sales Representative	
5.	Receive and validate credit customer application, if approved go to step(#6) if not go to step (#16)	Sales Manager	
6.	Fill credit customer initial contract	Sales Representative	Customer Initial Contract
7.	Submit credit application to receivables function	Sales Representative	

8.	Receive and validate customer application	AR Accountant	
9.	Check for customer existence; if customer exists go to step (#10)if not go to step(#11)	AR Accountant	
10.	Check for customer history (bad debt), if yes inform Sales Function in order to take the required action and got to step (#11)	AR Accountant	
11.	Send to Finance Function for approval	AR Accountant	
12.	Receive and validate customer application, if approved go to step (#13), if not go to step(#16)	VP Finance	
13.	Sign final contract (2 originals)	Sales Manager	Signed Final Contract
14.	Deliver contract to customer	Sales Representative	
15.	Create new customer account	AR Accountant	New Customer Account

21.7. The Process Flow Chart



22. Customer Invoicing Process

22.1. Purpose & Objectives

22.1.1. The purpose of this policy is to set the controls used for invoicing the Credit Customers as per the payment terms.

22.1.2. The objective of this process is to ensure that the invoicing process is completed accurately and on a timely and efficient manner.

22.2. Input

22.2.1. The input of this process is a completed sales and material delivery process.

22.3. Policies

The Customer Invoice

22.3.1. The Invoice is the cornerstones of an effective billing process; it is more than just an invoicing tool. It represents an important connection facility with customers and provides strategic opportunities for the Company to build relationships, increase satisfaction, and cross-sell.

22.3.2. The preparation of a sales invoice generally initiates the formal recording of revenue. Control over invoicing is established by authorization to bill and is based on supporting documents namely, Credit Agreement, Sales Order Acknowledgment, Delivery Note (Ship Confirmation).

22.3.3. Customer invoices must be clear, concise and easy to read and calculate. Invoices that allow customers to quickly recalculate and confirm purchases help expedite collections by removing obstacles to payment.

Issuing Customer Invoice

22.3.4. Customer Invoices should be issued by the Accounts Receivable Accountant, and should reflect the actual delivered items (Steel) from a specified warehouse. Access to invoice issuing activity should be restricted to Accounts Receivable accountant only.

22.3.5. Customer Invoices should be electronically generated by the system based on existing records; manual matching to supporting document (Delivery Note,

Sales Order Acknowledgement) should also take place upon issuing the invoice.

22.3.6. Invoicing procedures should include the following:

- Customer names should be compared with a master customer list as a measure to detect duplicate customer names.
- Quantities should be based on actual records of products shipped and compared with sales orders, (differences should be investigated).
- Prices should be based on the confirmed Sales Order
- Discounts should be verified against the confirmed Sales Order.

22.3.7. Customer Invoices must be numbered sequentially using predefined numbering criteria. The invoice should be logged with sufficient details. This includes the following (but not limited to):

- Date
- Customer Name and Details
- Amount and Currency
- Payment Terms
- Issued By
- Approved By
- Bill to Location
- Customers Purchase Order Number (If Available)
- Invoice Line Information (Item number, Item Description, Quantity ,Total)
- Contact person in the Company
- Invoice Receiving Signature

22.3.8. The Accounts Receivable Accountant should ensure proper revision of the Customer Invoice prior to forwarding it for The Accounting Manager.

Approving the Customer Invoice

22.3.9. The Accounting Manager should perform the necessary validation and matching steps in the system and manually to ensure the completeness and correctness of the Customer Invoice prior to approving it in the system.

22.3.10. An approved invoice (in the system) should be printed and signed by the Accounting Manager prior to delivering it to the Customer.

22.3.11. The Accounts Receivable Accountant should ensure obtaining the customer signature on the original invoice upon customer invoice receiving. Signed invoice should be filed until the invoice status is to be cleared.

22.3.12. The Receivables should keep a record (customer file) of all issued Customer Invoices and Supporting documents. This should be validated prior to delivering the invoice to the customer.

22.3.13. Posting of a Customer invoice to the accounts receivable subsidiary ledger should be performed automatically by the system as soon as the invoice is approved.

22.3.14. Daily revision and verification of posted Customer Invoices should be performed by the Accounts Receivable Accountant. The result of posted invoices is financial transactions generated by the system. The accounts impacted are :

- Inventory (Credited)
- Cost of Goods Sold (Debited)
- Sales Account (Credited)
- Receivables Account (Debited)

Customer Statements

22.3.15. Monthly statements should be generated by the Accounts Receivable Accountant and mailed to customers to allow for identification of errors and any

discrepancies in their balances. Also, it reminds the customer of the payment date.

22.3.16. The monthly statements should indicate the following factors (but not limited to):

- Customer Credit Limit
- Payments Due Dates
- Payment Received
- Outstanding Balance

Risks Associated with Issuing Customer Invoice

22.3.17. The risks listed below can potentially cause the most errors and are the greatest barriers to effectively processing Customer invoices. A wide awareness against these risks should be built and necessary measures to mitigate it should be taken by the Accounts Receivable Accountant.

- Invoice Format and Content
- Complicated Invoice Layout
- Unclear Printing
- Difficult to Calculate Price Structures and Discounts
- Missing Payment Dates
- Procedural Deficiencies
- Undefined Levels of Authority for Issuing and Approving a Invoice
- Inaccurate Checking and Verification of Invoice Against Supporting Documents
- Equipment and technological deficiencies
- Computers / Printers are not Connected or Functioning Properly

- Material and Information Flow Deficiencies
- Delays in Sending Supporting Documents to the Accounts Receivable Accountant
- Delays in Generating the Sales Invoice from the System
- Delays in Sending the Invoice to the Customer

22.3.18. The Accounts Receivable Accountant should ensure mitigation of the above risks and is responsible to report to the Accounting Manager any deviation or related issues.

22.3.19. By the end of each business day, the Accounts Receivable Accountant should transfer all issued invoices to the General Ledger, the Accounts Receivable Function should insure that no transaction are missing during the transfer process.

22.4. Output

22.4.1. The output of this process is an approved Customer Invoice to be delivered to the respective customer representative.

22.5. Related Processes

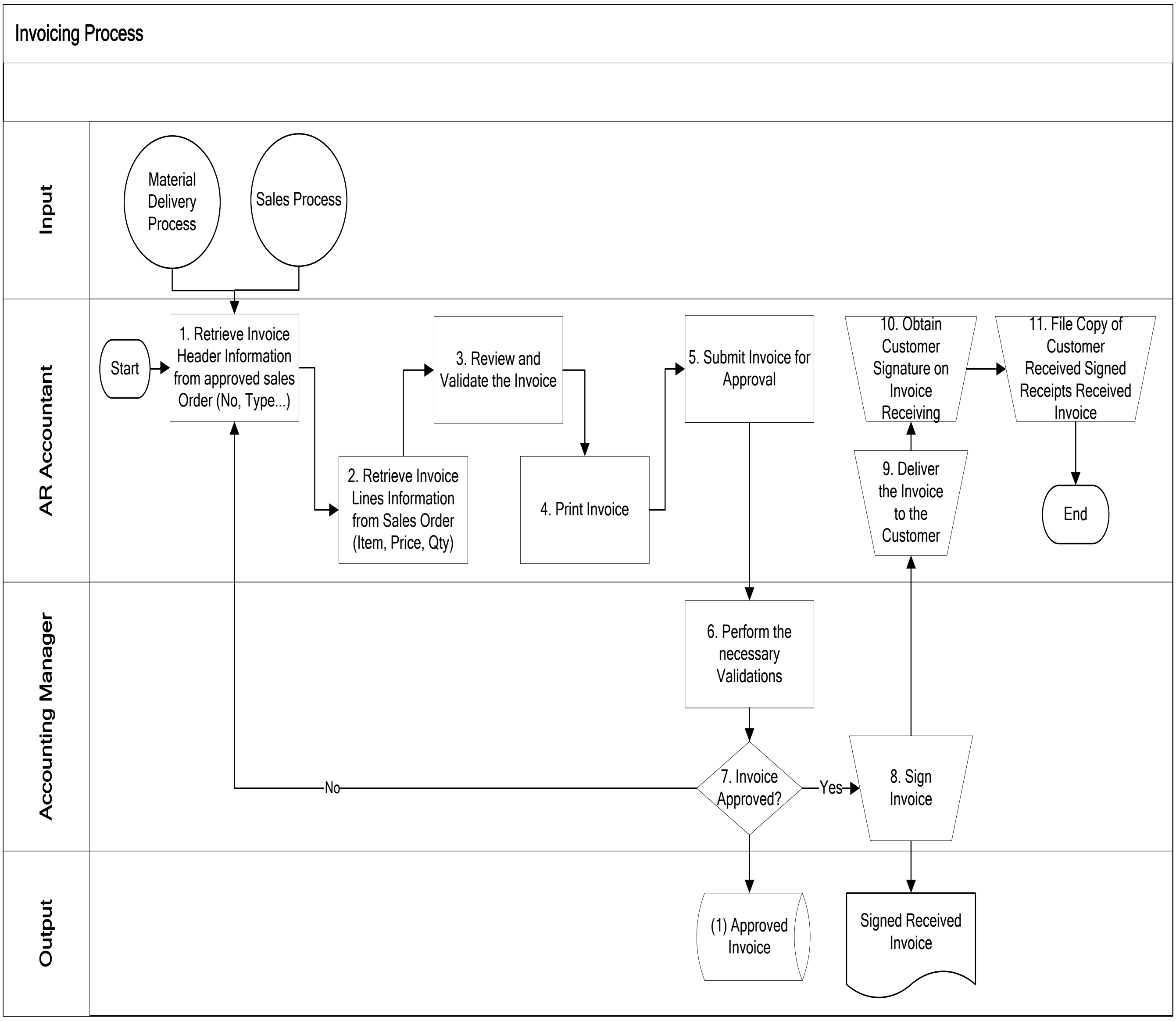
- Material Delivery Process
- Sales Processes

22.6. Procedure

#	Step	Responsibility	Document
1.	Enter invoice header information (Name, #...)	AR Accountant	
2.	Enter Invoice Lines Information (Price, Quantity…)	AR Accountant	
3.	Review and validate the invoice	AR Accountant	
4.	Print invoice	AR Accountant	Invoice

#	Step	Responsibility	Document
5.	Submit invoice for approval	AR Accountant	
6.	Perform the necessary Validations	AR Accountant	
7.	Invoice approved? if approved go to step (# 7) if not go to step(# 1)	Accounting Manager	
8.	Sign Invoice	Accounting Manger	Approved Invoice
9.	Deliver the invoice to the customer	AR Accountant	
10.	Obtain Customer Signature on Invoice Receiving	AR Accountant	Signed Invoice
11.	File Copy of Customer Received Signed Receipts Received Invoice	AR Accountant	

22.7. The Process Flow Chart



23. Collection Process

23.1. Purpose & Objective

23.1.1. The purpose of this policy is to set the controls and the guidelines used for collecting cash from the Company Customers.

23.1.2. The objective of this process is to collect receivables from Customer accurately, on a timely basis while utilizing proper controls and security measures.

23.2. Input

23.2.1. The input of this process is Aging data which includes detailed history of available open receivables.

23.3. Policies

Accounts Receivables

23.3.1. Accounts receivable arise from sales on credit to customers. The account is relieved by posting of receipts from cash/check receipts journal, approved credit memos for allowance, or returned goods and write-off of uncollectible accounts.

23.3.2. Accounts receivable records should be accurate, complete, and maintained in a manner to indicate the length of time the customers' debt has been outstanding.

The Aging Report

23.3.3. The Aging Report includes processed receivables data of Credit Customers. It should include the following classification (at least):

- Less or Equal to 30 days
- From 31 to 60 days
- From 61 to 90 days
- From 91 to 180 days
- From 181 to 240 days

- From 241 and above

23.3.4. The Receivable Aging Report should be prepared on a weekly basis by the Accounts Receivable Accountant. The Report should be used for monitoring Credit Customers receivable and identifying all current due customer accounts and invoice.

23.3.5. The Accounts Receivable Accountant is responsible to prepare a case file for all current due payments based on the agreed payment terms and aging report, the case file should contain the following information as minimal:

- Concerned Customer Name
- Concerned Customer Address
- Contact Person
- Due Amount
- Payment Status (Due, Past due)

Performing the Collection

23.3.6. The collection from Credit Customers should be performed through the Sales Representative based on the Aging Report initiated by the Accounts Receivable Accountant.

23.3.7. As General Policy, the Sales Representative should only receive customer payments in Saudi Riyal.

23.3.8. Hard Cash collected by the Sales Representative should be submitted to relevant Cashier based on the location

23.3.9. For every successful collection transaction, The Sales Representative should issue a pre-printed sequential numbered receipt to the concerned customer with the received amount.

23.3.10. Relevant cashier should immediately reconcile received amounts with issued pre-printed receipts in order to identify any variances; In case of any variances the cashier function should immediately contact the Cash Management Officer in order to take the required corrective action.

23.3.11. Relevant cashier should apply received hard cash amounts against opened invoices on FIFO bases. Relevant Cashier should enter receipt information at the time of receiving the cash, the receipt should maintain the following information as minimal:

- Pre-printed Receipt Number (Manual)
- System Receipt Number
- Amount
- Currency
- Customer Name
- To be closed invoice (if identified)

23.3.12. Relevant cashier should receive collected hard cash and receipts copy from relevant Sales Representative in order to reconcile received cash amounts.

23.3.13. The Sales Representative should update the case file and submit it to the Accounts Receivables Accountant based on the outcome of the collection activity

Actions Taken Against Credit Customer Showing Warning Signs

23.3.14. Customers should be reminded verbally by the Accounts Receivable Accountant on the overdue status of their balance on the fifth day following the payment due date.

23.3.15. Three written reminders should be prepared by the Accounts Receivable accountant after the verbal communication. These reminders should be prepared as per the following time intervals:

Reminder Letter	Issuance Date

Reminder Letter	Issuance Date
I	After 15 business days of payment due date
II	After 40 business days of payment due date
III	After 60 business days of payment due date
Legal Case	See Doubtful Accounts & Write-offs section

23.3.16. Verbal reminders and the outcome of the initial conversation between the Customer and the Accounts Receivable Accountant should be logged to the system. Written reminders should be generated by the system.

23.3.17. Reminder Letters should be issued by the Accounts Receivable Accountant and distributed to the VP Finance and Sales Manger.

23.3.18. The Customer should be flagged as “Doubtful Listed” once the second reminder letter is issued; the customer should be flagged as “Black Listed” once the third reminder letter is issued.

23.3.19. All Sales transactions should be halted for Customers listed as doubtful and black. This should be enforced by the system; releasing Sales hold should be governed by the VP Finance.

Doubtful Accounts & Write-offs

23.3.20. The Accounts Receivable Accountant should assess delinquent customer accounts in order to determine doubtful debts. This should be based on the Aging Report.

23.3.21. As a general policy, debt not collected within 18 months should be 100% provided for written off by the Accounts Receivable Accountant. This transaction should be clearly logged under the customer name.

23.3.22. Analyzing write offs should be done by the VP of Finance every month and reported to the President and Board of Directors with proper recommendation.

Corrective action should be taken by the Company President to minimize write offs.

23.3.23. Receivable write-offs should be suggested by the Accounting Manager, reviewed by the President and the VP Finance and approved by the Board of Directors.

23.4. Output

23.4.1. The output of this process is collected receivables from the Credit Customers.

23.5. Related Processes

- Customer Invoicing Process
- Cash Receiving Process

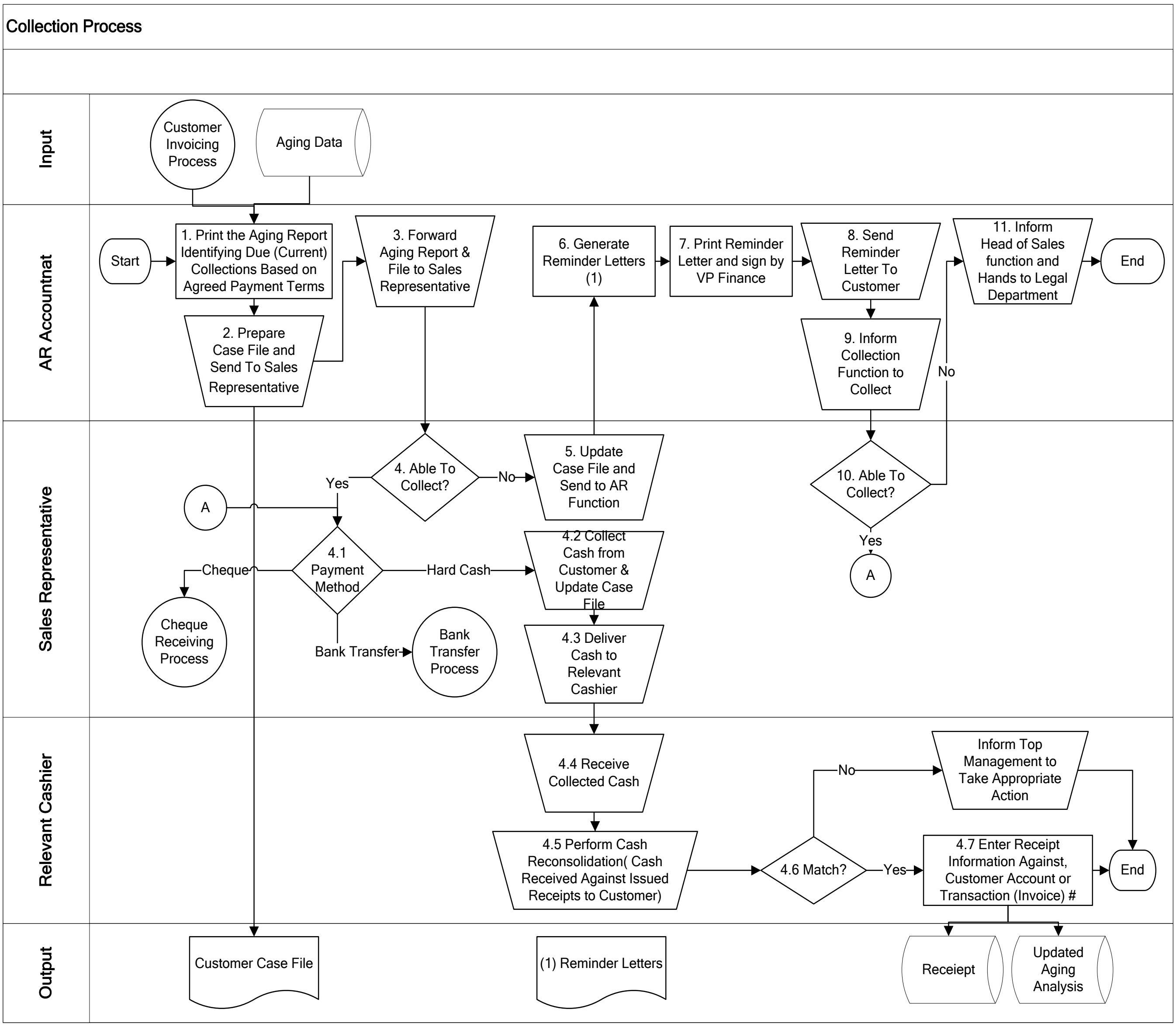
23.6. Procedure

#	Step	Responsibility	Document
1.	Print the aging report identifying due collections	AR Accountant	Aging Report
2.	Prepare case file and send to Collection Function	AR Accountant	Customer Case File
3.	Forward Aging Report & File to Sales Representative	AR Accountant	
4.	Able To Collect? If yes go to step 4.1 If no go to step 5.	Sales Representative	
4.1	Payment Method? If cheque go to Cheque Receiving Process If bank transfer go to bank transfer process If cash go to step 4.2	Sales Representative	Cash (Payment)

#	Step	Responsibility	Document
4.2	Collect Cash from Customer & Update Case File	Sales Representative	Cash & Receipts
4.3	Deliver Cash to Relevant Cashier	Sales Representative	Cash (Payment)
44	Receive Collected Cash	Cashier	
4.5	Perform Cash Reconsolidation(Cash Received Against Issued Receipts to Customer)	Cashier	Receipt
4.6	Match? If yes go to step 4.7 If no inform Executive Management Team to take corrective action, then process end	Cashier	
4.7	Enter Receipt Information Against, Customer Account or Transaction (Invoice) #, then process end	Cashier	
5.	Update Case File and Send to AR Function	Sales Representative	Reminder Letter
6.	Generate Reminder Letters (1)	AR Accountant	
7.	Print Reminder Letter and sign by GM Finance	AR Accountant	
8.	Send Reminder Letter To Customer	AR Accountant	
9.	Inform Collection Function to Collect	AR Accountant	

#	Step	Responsibility	Document
10.	Able To Collect? If yes go to step 4.1 If no go to step 11.	Sales Representative	
11.	Inform Head of Sales function and Hands to Legal Department, then process end	AR Accountant	

23.7. The Process Flow Chart



24. Credit Memo Process

24.1. Purpose & Objective

24.1.1. The purpose of this policy is to set the controls and the guidelines used for processing credit notes for Credit Customers.

24.1.2. The objective of this process is to apply Credit notes to the receivables of Credit Customers accurately, on a timely basis while utilizing proper controls and security measures.

24.2. Input

24.2.1. The input of this process is a completed return process; the main document of the Sales returns process is the Return Material Authorization (RMA) issued by the Sales Representative.

24.3. Policies

Customer Credit Note

24.3.1. The preparation of Credit Notes generally debit revenue and credit customer Account. Control over Credit Note issuing is established by authorization to credit customer account and is based on supporting documents namely, RMA, Sales Order, Receipt etc.…

24.3.2. Credit Notes must be clear, concise and easy to read and calculate. Credit Notes allow the customers to identify the account balance and the credited amount.

Issuing Credit Notes

24.3.3. Credit Notes should be issued by the Accounts Receivable Accountant upon receiving the RMA, and should reflect the actual return items from a specific customer. Access to Credit note issuing activity should be restricted to Accounts Receivable Accountants only.

24.3.4. Credit Notes should be electronically processed based on existing records; manual matching to supporting documents (Return Material Authorization, Sales Order) should also take place upon receiving the items.

24.3.5. Credit Notes procedures should include the following:

- Customer names should be compared with a master customer list as a measure to detect duplicate customer names.
- Quantities should be based on actual records of products returned and compared with Return Material Authorization and Sales Order, (differences should be investigated).
- Amount should be based on the return quantity or required amount.
- Any prior Discounts should be identified prior to issue the credit note.

24.3.6. Credit Notes must be numbered sequentially using predefined numbering criteria. The Credit Note should be logged with sufficient details. This includes the following (but not limited to):

- Date
- Customer Name and Details
- Amount and Currency
- Issued By
- Approved
- Credit Note Line Information
- Cause (Return, award)
- Related Invoice Details

24.3.7. The Accounts Receivable Accountant should ensure proper revision of the Credit Notes prior to forwarding it for approval. It should also forward the supporting documents to the Accounting Manager.

Approving the Credit Notes

24.3.8. The Accounting Manager should perform the necessary validation and matching steps in the system and manually to ensure the completeness and correctness of the Credit Notes prior to approving it in the system.

24.3.9. Approved Credit Notes (in the system) should be printed and signed by the Accounting Manager prior to delivering it to the concerned Customer.

24.3.10. The Accounts Receivable Accountant should keep a record (customer file) of all issued Customer Credit Notes and Supporting documents. This should be validated prior to delivering the Credit Note to the customer.

24.3.11. Posting of a Credit Note to the accounts receivable subsidiary ledger should be performed automatically by the system as soon as the Credit Note is approved.

24.3.12. Daily revision and verification of posted Credit Notes should be performed by the Accounts Receivable Accountant. The result of posted Credit Notes is financial transactions generated by the system. The accounts impacted are:

- Sales Account (Debited)
- Receivables Account (Credited)

Risks Associated with Issuing Credit Notes

24.3.13. The risks listed below can potentially cause the most errors and are the greatest barriers to effectively processing Credit Notes. A wide awareness against these risks should be built and necessary measures to mitigate it should be taken by the Accounts Receivable Accountant.

- Credit Notes Format and Content
- Complicated Credit Note layout
- Unclear Printing
- Undefined Levels of Authority for Issuing and Approving the Credit Note
- Inaccurate Checking and Verification of Credit Note against Supporting Documents
- Equipment and technological deficiencies

- Computers / Printers are not Connected or Functioning Properly
- Delays in Sending Supporting Documents to the Accounts Receivable Accountant
- Delays in Generating the Credit Note from the System
- Delays in Sending the Credit Note to the Customer

24.3.14. The Accounts Receivable Accountant should ensure mitigation of the above risks and is responsible to report to the Accounting Manager for any deviation or related issues.

24.4. Output

24.4.1. The output of this process is generated Credit Note that should be delivered to the Customer.

24.5. Related Process

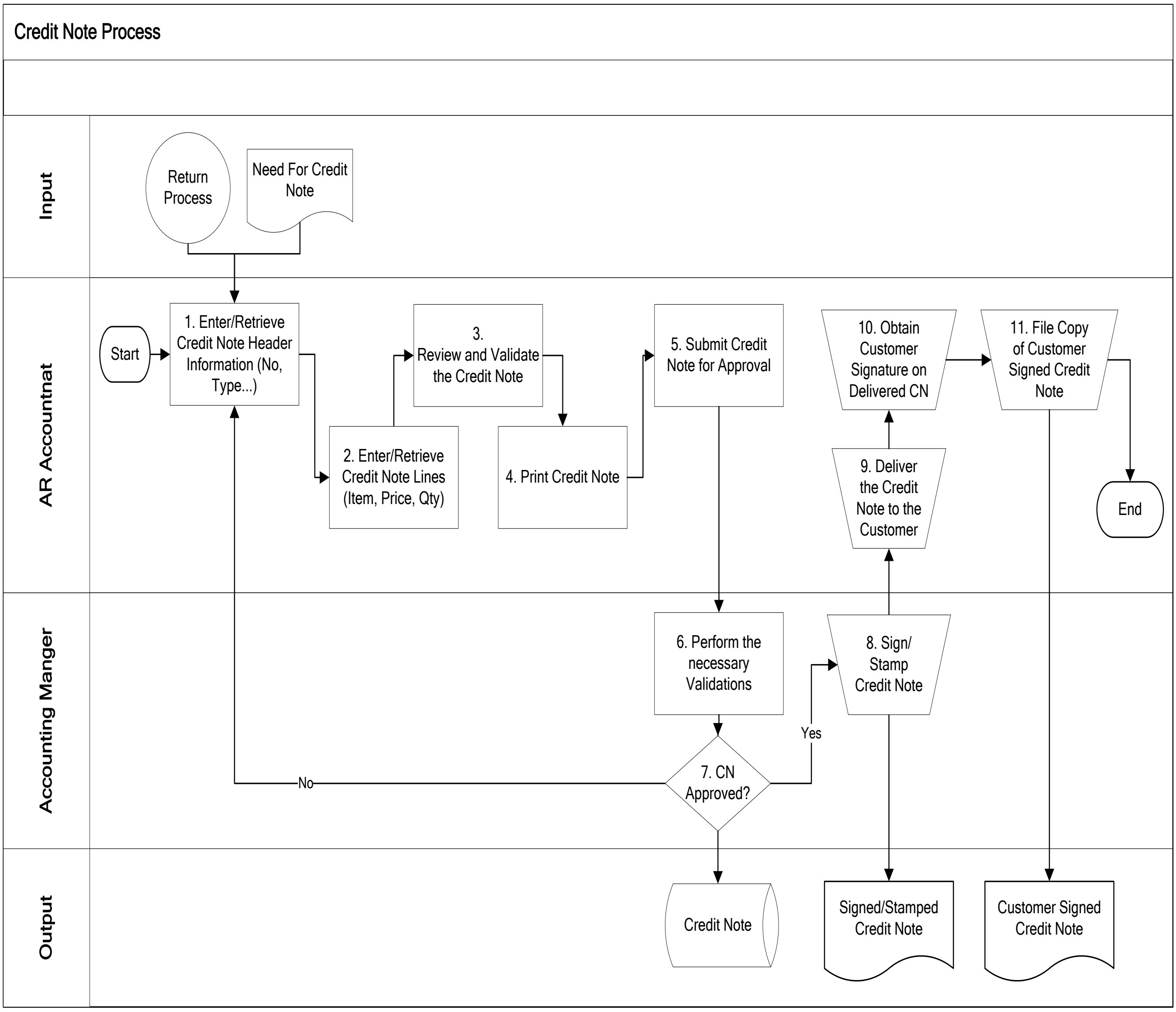
- Customer Return Process

24.6. Procedure

#	Step	Responsibility	Document
1.	Enter credit memo header information (Name, #...)	AR Accountant	
2.	Enter Credit memo Lines Information (Price, Quantity…)	AR Accountant	
3.	Review and validate credit memo	AR Accountant	
4.	Print credit memo	AR Accountant	Credit memo
5.	Submit credit memo for approval	AR Accountant	
6.	Perform the necessary Validations	Accounting manager	
7.	Credit note/memo? If approved go to step 8. If not go to step1.	Accounting manager	

#	Step	Responsibility	Document
8.	Sign credit memo	Accounting Manager	Approved Credit Memo
9.	Deliver credit memo to the customer	AR Accountant	
10.	Obtain customer signature upon receiving (and file signed credit memo)	AR Accountant	Signed Credit Memo
11.	File Copy of Customer Signed Credit Note	AR Accountant	

24.7. The Process Flow Chart



25. Cash Receiving Process

25.1. Purpose & Objective

25.1.1. The purpose of this policy is to set the controls and the guidelines used in cash receiving activities.

25.1.2. The objective of this process is to ensure that all cash receiving activities are processed accurately, with minimum risk, and on a timely manner.

25.2. Input

25.2.1. The input to this process is receiving customer payments by relevant Cashier or AR Accountant against open Customer Sales Invoices.

25.3. Policies

Initiating the Cash Receiving

25.3.1. Upon paying open invoices, the customer will initiate the cash receiving process as per the agreed payment terms and methods between the company and the customer.

25.3.2. As a general policy, the company should only receive cash as per the following currency:

- Saudi Riyal

25.3.3. The Accounts Receivable Accountant should identify the customer payment method, deferent procedure should be followed by concerned Function based on identified customer payment method:

- Hard Cash
- Bank Transfer
- Cheque

Hard Cash Receiving Activities

25.3.4. The cashier should identify the invoice(s), which the payment will be applied against. In case of not identifying relevant transaction, the receipt amount should be applied against the oldest open invoice(s) or customer account.

25.3.5. Upon receiving payment from customer, the Cashier should enter receipt information, the receipt should maintain the following information as minimal:

- Receipt Number
- Receipt Amount
- Currency
- Payment Date
- Relevant Transaction(s) (Invoice) to be closed
- Customer Account

25.3.6. Relevant Cashier Function is responsible to print out entered receipt and handout a copy to customer.

25.3.7. Relevant Cashier should print the Receipt as follows:

- Copy to Customer
- Copy to Accounts Receivable Accountant
- 2 Copies kept at Cashier (one to the Treasury File, the second to the Daily Transaction Report)

25.4. Output

25.4.1. The output of this process is a received payment and printed receipt to relevant customer as per agreed payment method.

25.5. Related Processes

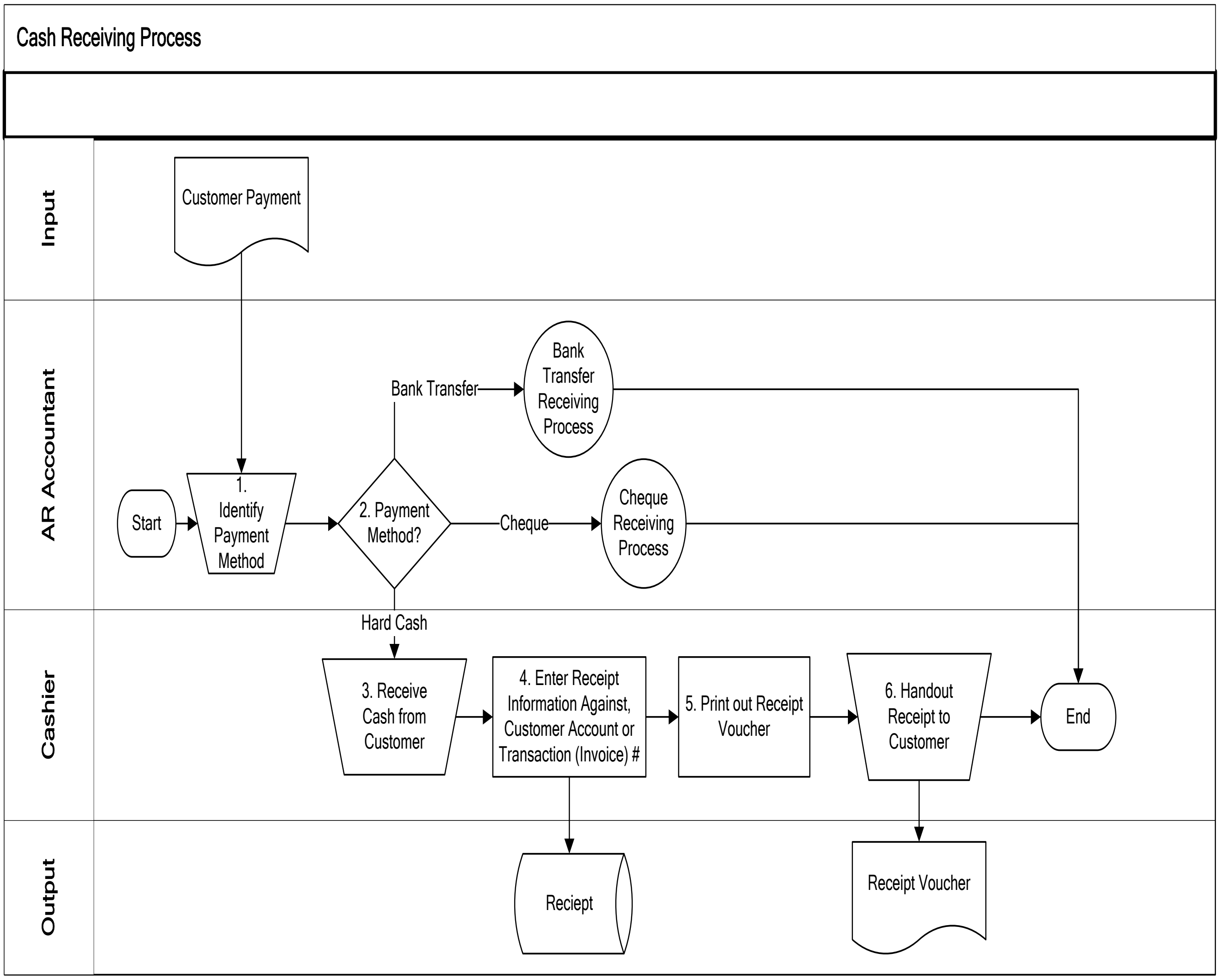
- Bank Transfer Receiving Process

- Cheque Receiving Process

25.6. Procedure

#	Step	Responsibility	Document
1.	Identify customer Payment Method if cash got to step(#4) if Bank transfer go to step(#2), if cheque go to step(#3)	AR Accountant	
2.	Payment method? If bank transfer go to bank transfer receiving process If cheque go to cheque receiving process If hard cash go to step 3.	AR Accountant	
3.	Receive Cash from Customer	Cashier	
4.	Enter Receipt Information Against, Customer Account or Transaction (Invoice)	Cashier	
5.	Print out Receipt Voucher	Cashier	
6.	Handout Receipt to Customer	Cashier	Receipt
7.	Print out receipt voucher and hand over to customer	Cashier	Receipt

25.7. The Process Flow Chart



26. Cheque Receiving Process

26.1. Purpose & Objective

26.1.1. The purpose of this policy is to set the controls and the guidelines used to receive cheques from customers.

26.1.2. The objective of this process is to ensure that all cheque receiving activities are processed accurately, with minimum risk, and on a timely manner.

26.2. Input

26.2.1. The input to this process is a received cheque from customer.

26.3. Policies

Cheque Receiving Activities

26.3.1. As a general policy, the Company Sales Representative is responsible for receiving Cheque(s) payment method from customers.

26.3.2. The Company sales Representative should hold a pre-printed receipt book, which maintain a sufficient information:

- Customer Name
- Payment Amount
- Payment Currency
- Payment Method
- Transaction Number
- Receipt Number (Sequential)
- Receipt Date

26.3.3. The Sales Representative is responsible for issuing a receipt against each received cheque with complete information; the Sales Representative should handout the original copy to customer, and keeps three copies for internal processing purposes (distribution).

26.3.4. At the end of each working day, the Sales Representative should deliver received cheques and the receipt copies to the Accounts Receivable accountant.

Processing the Cheque Receiving Activity

26.3.5. Upon receiving both the cheques and the receipt copies, the Accounts Receivable Accountant should perform a reconciliation between the received cheques amounts and the receipts copies; in case of any discrepancies the account Receivable Accountant should inform the designated approver for pepper action

26.3.6. In case of matching, the Accounts Receivable Accountant should enter the receipt information in to the company system, the Accounts Receivable Accountant should identify the transaction which the payment should be applied against.

26.3.7. If the accounts Receivable accountant is not able to identify to which transaction (Invoice) the Accounts Receivable accountant should apply the amount (Receipt) against the oldest open invoice.

26.3.8. All processed cheques (entered to the system) should be forwarded to relevant cashier in order to maintain the cheques in a safe place (cash box) until the cheques status are due.

Collecting Cheque Amounts

26.3.9. Upon receiving the cheque(s), The Cashier Function should identify the due date of the cheque and maintain received cheques in the cash box, until the cheque status is due.

26.3.10. All due date cheques should be forwarded to the company messenger in order to deposit the cheque amounts in bank. The messenger should obtain a deposit slip from the bank for every deposited cheque. All obtained deposit slips should be delivered to the Accounts Receivable Accountant.

26.3.11. In case of insufficient cheque amounts (Bounced Cheques) the Messenger should return the cheque(s) to the Cashier Function in order to inform the Accounts Receivable Accountant.

Receipt Reversal

26.3.12. Relevant Cashier should receive bounced cheque(s) and forward them immediately to Accounts Receivable Accountant.

26.3.13. The Accounts Receivable Accountant should receive and file all bounced cheques, the accounts Receivable Accountant should reveres all receipts entered against bounced cheque(s) in order to reopen the closed transactions (Invoice).

26.3.14. The receipt Reversal activity should be approved by the Accounting Manager. The Accounting Manager should contact the Sales Manager in order to contact the concerned customer and resolve the issue.

26.3.15. The company should not accept receiving cheque payment method from customers whose cheques were previously bounced.

26.4. Output

26.4.1. The output of this Process is cash collected from the customer and Cash Receipts are printed and handed to the related persons.

26.5. Related Processes

26.5.1. Cash Receiving Process

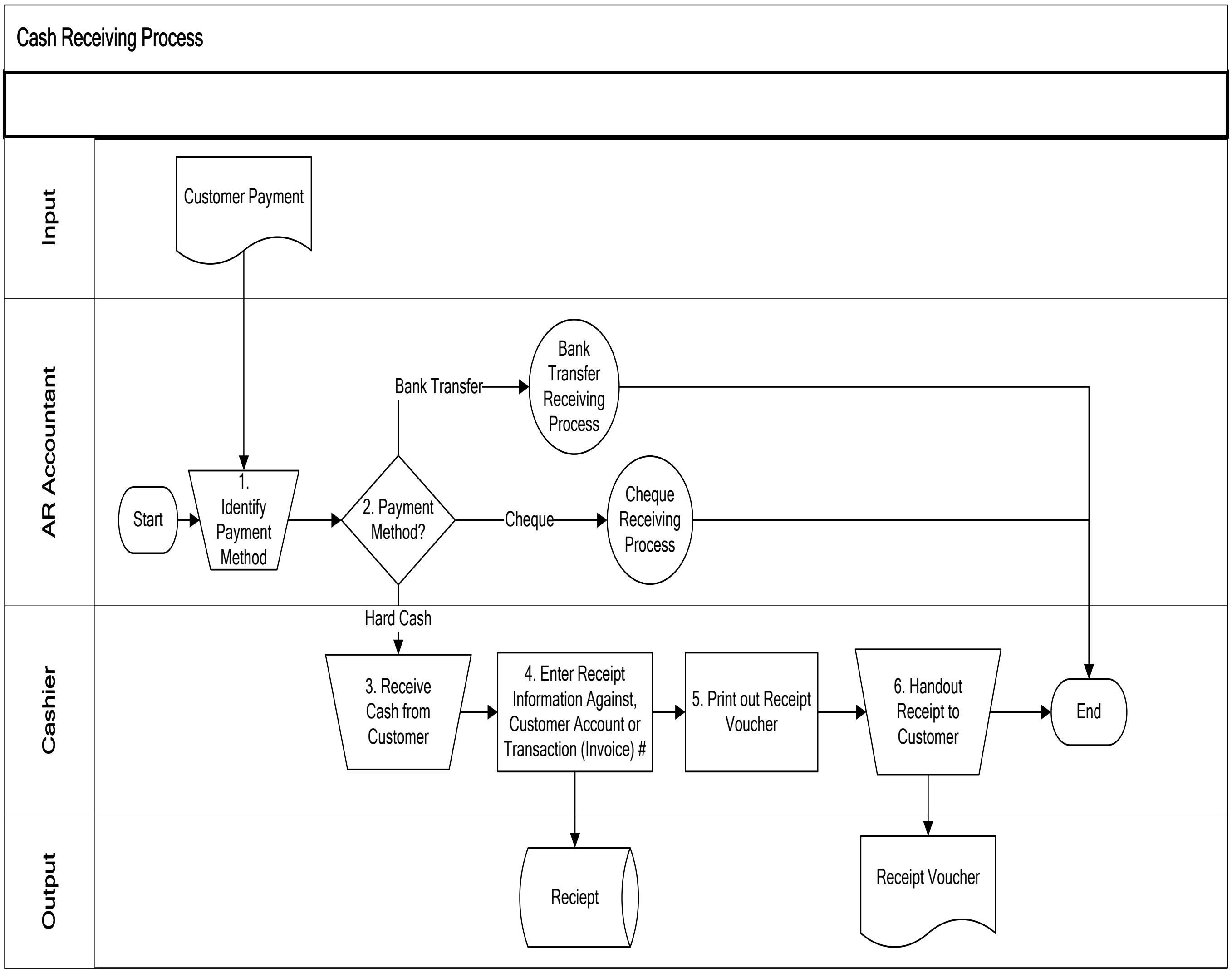
26.6. Procedure

#	Step	Responsibility	Document
1.	Receive cheque from customer	Sales Representative	
2.	Issue manual receipt	Sales Representative	
3.	Hand over receipt to customer	Sales Representative	Receipt
4.	Handover Receipt to Customer	Sales	

#	Step	Responsibility	Document
		Representative	
5.	Deliver Collected Cheques and Receipts Copies to AR Accountant	Sales Representative	Receipt & Cheques
6.	Receive cheques and receipts from Sales Rep	AR Accountant	
7.	Perform reconciliation	AR Accountant	
8.	Match? if matched go to step(#9) if not go to step(#8.1)	AR Accountant	
8.1	Inform Accounting Manger for investigation, then process end	AR Accountant	
9.	Enter Receipt information against customer account or transaction	AR Accountant	System Receipt
10.	Forward cheque to Cashier function	AR Accountant	
11.	Receive cheque and identify due to date	Cashier	
12.	Due? If no go to step 12.1 If yes go to step 13	Cashier	
12.1	Keep Cheque/Forward on Due Date	Cashier	
13.	Forward To Messenger	Cashier	
14	Insufficient Balance? If yes go to step 14.1 If no go to step 15.	Messenger	
14.1	Deposit cheque in bank and obtain deposit slip and forward to AR Accountant	Messenger	Deposit Slip
15.	Return to Cashier	Messenger	Bounced Cheque
16.	Receive Bounced Cheques	Cashier	

#	Step	Responsibility	Document
17.	Inform AR Accountant of Bounced Cheques & Forward Cheque & Supporting Docs for Validation	Cashier	Reversed Receipt
18.	Received Bounced Cheque and Supporting Docs	AR Accountant	
19.	Reverse Payment/ Or Issue a Debit note(4)	AR Accountant	
20.	Inform Sales Function to recollect Payment and contact the Customer	AR Accountant	

26.7. The Process Flow Chart



D. FIXED ASSETS

27. Capital Expenditure Plan Process

27.1. Purpose & Objective

27.1.1. The purpose of this policy is to set the controls and the guidelines used to create the capital expenditure Plan.

27.1.2. The objective of this process is to create, verify and approve the yearly capital expenditure plan that is aligned with the Company strategy.

27.2. Input

27.2.1. The input to this process are:

- Corporate Strategy
- Departmental Plans

27.3. Policies

Initiating the Capital Expenditure Plan

27.3.1. The trigger to start the Capital Expenditure Plan is the Company calendar which specifies the annual date for initiating budget preparation process.

27.3.2. The Company Department Heads are responsible of creating their estimated Capital Expenditure Plan budget in accordance with their Department needs and plans.

27.3.3. The proposed Capital Expenditure Plan will be itemized and will cover the following items (not limited to)

- Computer Software and Hardware
- Office Furniture
- Equipment

- Vehicles
- Machinery
- Building and improvements
- Land

27.3.4. The Department Heads will submit the proposed Capital Expenditure Plan along with business justification to VP Finance.

27.3.5. The Capital Expenditure Plan should be categorized as follow:

- Required by law
- Improvement / renovation to maintain standards
- Investments that has a future return to shareholders

Approving the Capital Expenditure Plan

27.3.6. The VP Finance will review the estimated Capital Expenditure Plan submitted by various Departments to ensure the validity of the business case and alignment with the overall corporate strategy.

27.3.7. The VP Finance will revise the estimated Capital Expenditure Plan if needed in co-operation with the various departments in order to reflect the goals and objectives of the company.

27.3.8. The VP Finance should evaluate all investment projects for financial feasibility in order to ensure that the project will maximize value.

27.3.9. The VP Finance will consolidate the Capital Expenditure Plan and submit to President for further revision, validation and approval.

27.3.10. Once the Capital Expenditure Plan is approved by President/BoD it should be forwarded to the Budgeting Officer to consolidate with company annual budget.

27.4. Output

27.4.1. The output of this process is the completion of the Capital Expenditure Plan and forwarding it to the Budgeting Officer to be consolidated with master budget of the company.

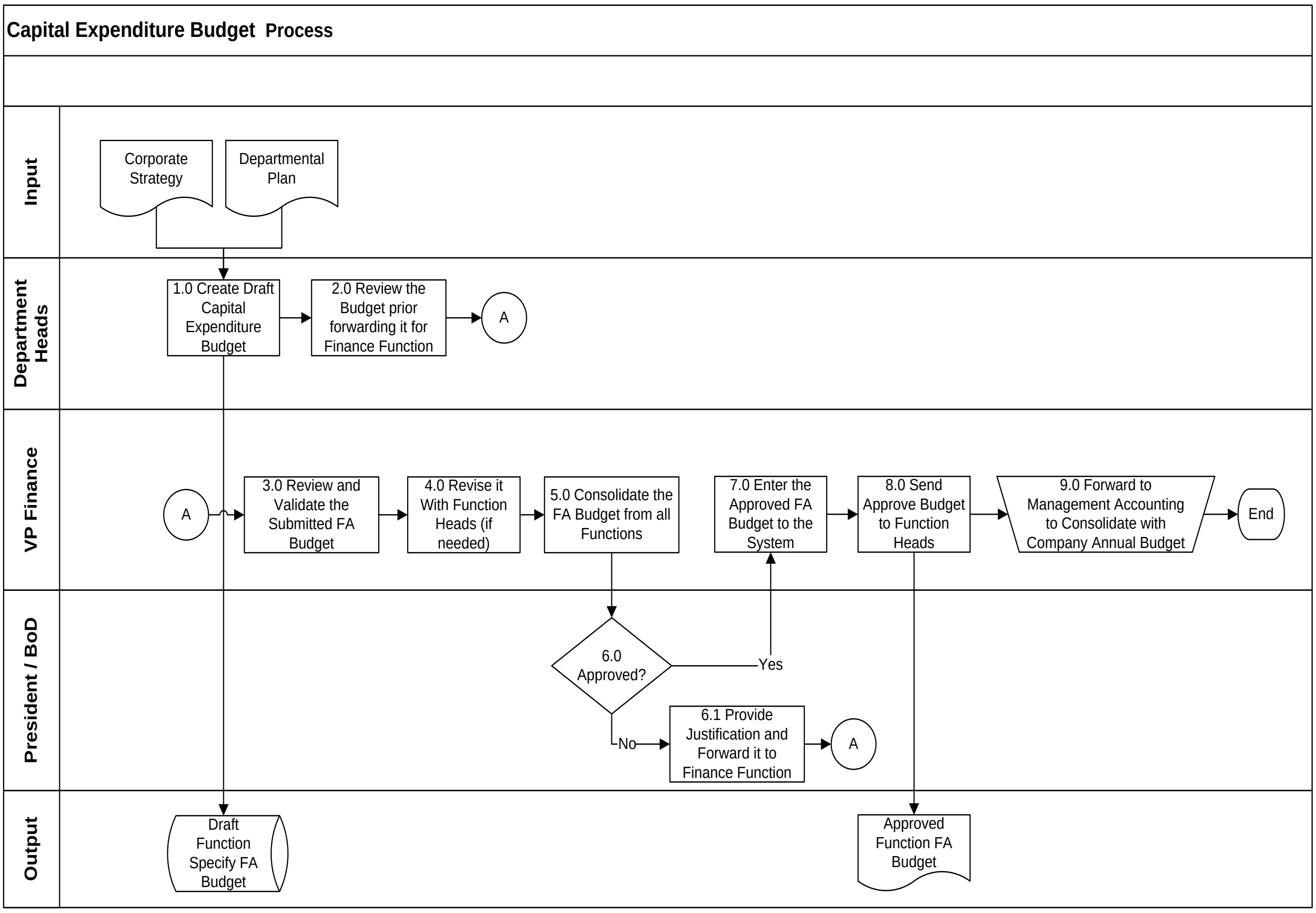
27.5. Related Processes

- Budget Preparation Process

27.6. Procedure

#	Step	Responsibility	Document
1.	Create draft Capital Expenditure Budget	Department Heads	Draft Function Specify Capital Expenditure Budget
2.	Review the Budget prior submitting it for GM Finance	Functions Heads	
3.	Open, review and validate the submitted Capital Expenditure Budget	VP Finance	
4.	Revise it With Department Heads (if needed)	VP Finance	
5.	Consolidate the Capital Expenditure Budget from all Departments	VP Finance	
6.	If budget approved go to step (#8), if not go to step (#7)	President/BoD	Approved / Rejected Budget
7.	Provide justification and forward it to GM Finance, then go to step (#3)	President/BoD	Rejected Budget
8.	Update the Approved Capital Expenditure Budget into the system	VP Finance	Approved Budget
9.	Send Approve Budget to Department Heads	VP Finance	
10.	Submit to Budgeting Officer to consolidate with Company Annual Budget	VP Finance	

27.7. The Process Flow Chart



28. Fixed Asset Acquisition Process

28.1. Purpose & Objective

28.1.1. The purpose of this policy is to set the controls and the guidelines used for acquiring new Fixed Assets.

28.1.2. The objective of this process is to ensure that all acquisitions are performed by following the proper validations, in the most efficient and timely manner.

28.2. Input

28.2.1. The input to this process is a need for a fixed asset which can be initiated by any Employee (representing a department).

28.3. Policies

Fixed Assets Capitalization

28.3.1. To capitalise a Fixed Asset it should:

- Be worth more than or equal to SR 1000 for furniture and equipment.
- Have a useful life of greater than two (2) years.
- Physically exists.
- Not been acquired for subsequent resale.

28.3.2. The Fixed Assets Accountant should ensure that the following are included while capitalizing assets:

- Purchase Price
- Freight Charges (if any)
- Installation charges (if any)

28.3.3. The Fixed Assets Accountant should ensure that all Leasehold improvements are capitalized if they relate to the occupancy of new office or major renovation for existing office. Expenditure in maintaining an existing facility should be expensed as a repair cost.

28.3.4. The Fixed Assets Accountant should ensure that all assets, which require a period of time in order to be used are capitalized taking into consideration the interest cost paid to the period prior to using the asset.

28.3.5. The Fixed Assets Accountant should ensure that the register cost of buildings include all expenditure related directly to the Company acquisition or construction, example (not limited to):

- Material
- Labour
- Overhead incurred during construction
- Fees as:
    - Attorney
    - Engineers
    - Architectures
    - Building Permits

28.3.6. The Fixed Assets Accountant should ensure that leased assets qualified as capital lease are recorded as fixed assets at the lower of present value.

Fixed Assets Acquisition

28.3.7. Fixed Assets acquisition involves the following activities:

- Requesting of fixed assets through Request form
- Validating the availability of assets in the company’s fixed assets register

28.3.8. The Fixed Assets Accountant (in coordination with the Administration Department) will Decide whether to:

- Use the available asset and consequently transfer it from the source to requester (Employee) or

- Purchase the new fixed assets by following the Requisition, process, policies and procedure

28.3.9. Fixed Assets Acquisition will be initiated by the departments' employee(s) by filling the Request Form for Fixed Assets, and forwarding it the Fixed Assets Accountant for validation and approval.

Validating the Fixed Assets Requests

28.3.10. The Fixed Assets Accountant should validate all Fixed Assets requests against the Fixed Assets register in order to ensure that no matching idle assets are available in the company.

28.3.11. The Fixed Assets Register should include up to date information about the Fixed Assets in the company. For more information regarding the fixed assets register, please refer to the Enter Fixed Assets policies.

Availability of an Idle Asset

28.3.12. After looking up the Assets register, the Fixed Assets Accountant will decide (in coordination with the requester and asset custodian) whether the available (idle) asset will satisfy the requirement rather than purchasing a new asset.

28.3.13. A cost / benefit analysis should be performed by the Fixed Assets Accountant while deciding whether to use the idle asset and consequently transfer the asset from the source to the destination location. Factors to consider in this analysis are:

- Cost of Transportation

- Asset condition

- Urgency of the Asset need

- Asset Utilization (by the source)

- Accumulated Depreciation

Asset Acquisition Approval

28.3.14. The Fixed Assets Accountant should document its decision on the Request form. This can be recommendation to transfer the asset or an approval to purchase the asset.

28.3.15. As a result of Request validation, the request can be processed further through the Fixed Asset Transfer process.

28.3.16. The transfer of assets should comply with the Transfer of Assets processes, policies and procedures. The purchase of Fixed Assets should comply with the requisition of non-inventory items policies and procedures.

Monitoring Fixed Assets Requests

28.3.17. The Fixed Assets Accountant should monitor repetitive Fixed Assets requests through checking the Fixed Assets register and the orders of Relevant Employee.

28.3.18. Any repetitive order of Fixed Assets should be investigated and reported immediately to the VP Finance for proper action. Reasons of repetitive orders could be caused by (but not limited to):

- Bad Quality of Asset
- Theft
- Damage
- Wrong Estimated Life
- Employee Miss Usage

28.3.19. Doubtful requests should be reported by the Fixed Assets Accountant to the Accounting Manager; the Accounting Manager should coordinate with the Purchasing Department and the concerned employee concerning the corrective actions resulting from repetitive orders.

28.4. Output

28.4.1. The output of this process is Fixed Asset Request Form with proper validation and orientation (for transfer or requisition) by the Fixed Assets Accountant.

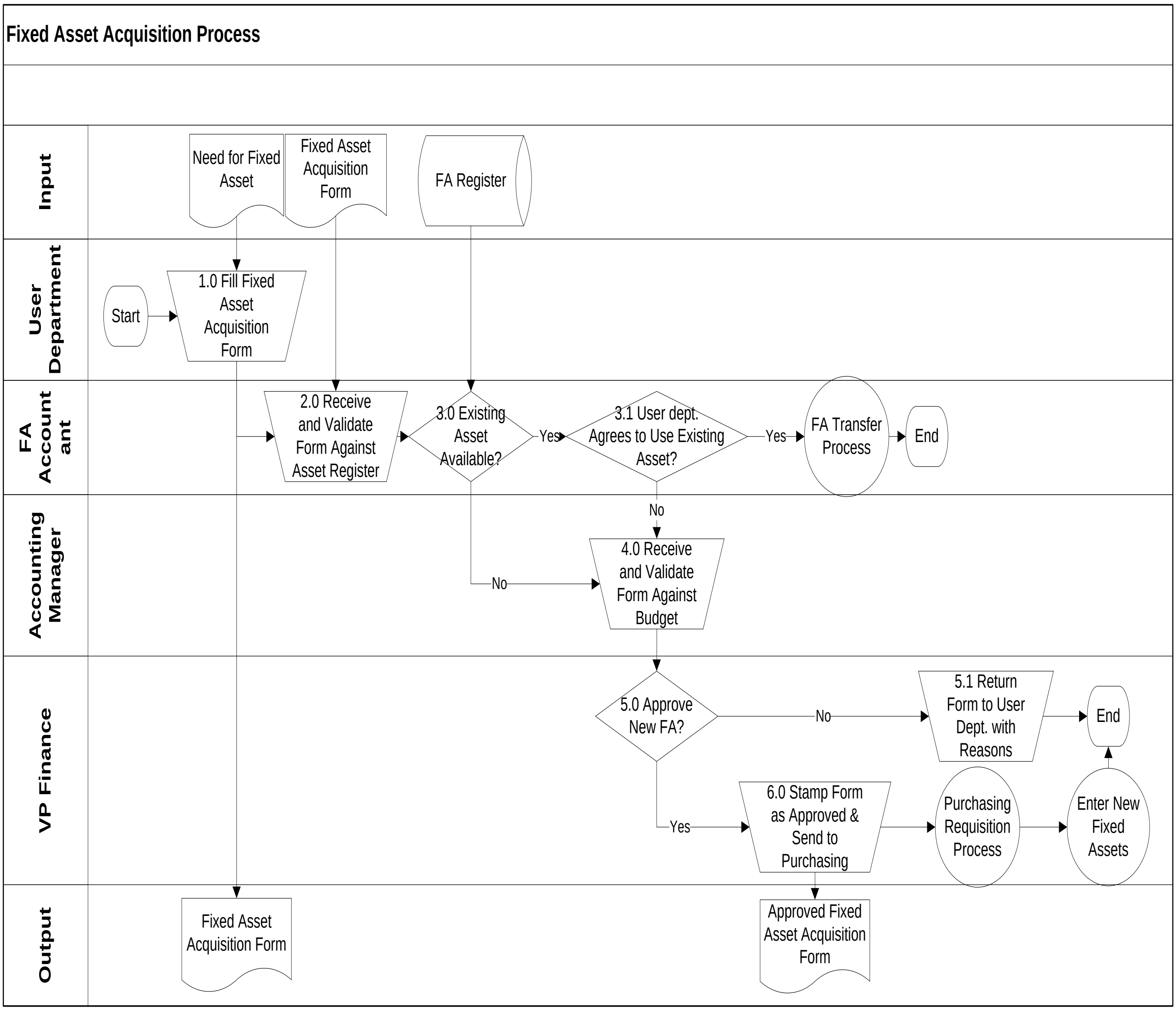
28.5. Related Processes

- Requisition Process
- Fixed Assets Transfer Process

28.6. Procedure

#	Step	Responsibility	Document
1.0	Fill the Fixed Asset Acquisition Form after identifying a need for a new fixed asset.	User Department	Fixed Asset Acquisition Form
2.0	Receive and validate the form (from User Department) against the asset register from the system.	FA Accountant	Fixed Asset Acquisition Form
3.0	Check if there is an existing asset (not being used) available to serve the request of the User Department in the FA Register If there is an existing asset, follow Step 3.1 If there is no free existing asset, follow Step 4	FA Accountant	FA Register
3.1	If the user department agrees to use an existing asset then follow FA Transfer Process. If the user department does not agree to use an existing asset (e.g. they do not want an old one) follow Step 4.	FA Accountant	
4.0	Receive and validate the form's request against the budget. Forward to VP Finance	Accounting Manager	
5.0	If approved follow step 6. If not approved follow Step 5.1	VP Finance	
5.1	Return the Fixed Asset Acquisition form to the User Dept specifying the reasons why the request was not approved. The process ends.	VP Finance	
6.0	Stamp the Asset Requisition Form as Approved and send to Purchasing in Purchasing Requisition process, followed by Enter New Fixed Assets (after receiving the fixed asset).	VP Finance	Approved Fixed Asset Acquisition Form

28.7. The Process Flow Chart



29. Enter / Record Fixed Asset Process

29.1. Purpose & Objectives

29.1.1. The purpose of this policy is to set the controls and guidelines used for handling the Fixed Assets recording to the system (Fixed Assets register).

29.1.2. The objective of this process is to ensure that entering and recording of Fixed Assets is centralized, accurate, with no duplication of Fixed Assets descriptive information.

29.2. Input

29.2.1. The input of this process is the completion of material receiving process by the Company logistics department.

29.3. Policies

Receiving and Validating the Receipt Voucher

29.3.1. Fixed Assets can be received by Fixed Asset Accountant or Administration Function.

29.3.2. The Receipt Voucher represents the only valid document for receiving Fixed Assets; the receiving of Fixed Assets should comply with receiving of non-inventory items Activities (Logistics).

Automatic and Manual Addition of Fixed Asset Record

29.3.3. A Fixed Asset record should be maintained by the Fixed Assets Accountant and it should capture the information related to the Fixed Asset Register.

29.3.4. As a general rule, Fixed Assets record should be electronically entered to the system through automatic addition; this will be done by utilizing the supplier invoice entered by Accounts Payable Accountant.

29.3.5. Through Automatic addition the main elements of the Supplier invoice (Supplier name, Supplier number, cost) will be used to create the fixed assets record (descriptive information, location)

29.3.6. Manual addition is done by adding the fixed assets record directly to the fixed assets register; this will include basic supplier and invoice information.

The Fixed Assets Register (Descriptive, Financial & Location)

29.3.7. A Fixed Asset register is a database of all fixed assets available in the company, and should capture the following information:

- Asset Serial # and description
- Asset Name, Brand, Model, Manufacturer
- Asset Category
- Location
- Date of purchase
- Asset Custodian (department, section, user)
- Cost
- Useful life / Depreciation Rate
- Accumulated depreciation
- Net Book Value

29.3.8. It's the responsibility of the Fixed Assets Accountant to ensure that the Fixed Asset record is updated on a regular basis; this includes additions, sales, disposals, retirements, and transfers.

29.3.9. Fixed Assets Register should mainly rely on pre-defined lookup data. For example :

- Asset Category
- Asset Location
- Depreciation Method

- Asset Life
- Asset Custodian (department, section, Employee)

29.3.10. The Fixed Assets Accountant should ensure that all Department Heads are aware of their employees' custodianship (tools, equipments, furniture, etc) this should take place in co-ordination with the Administration Function to be included in employees' files.

29.3.11. Fixed Assets Register should follow a standard naming convention. For Example:

- The usage of capital letters (ABC Company vs. Abc Company)
- Spelling (Honda Car vs. Hunda Car)
- The Usage of abbreviations (ABC Company vs. ABC Co.)

29.3.12. Fixed Assets should be recorded at cost. Cost should either be the purchase price, including any incidental costs of acquisition and installation, or the direct cost of construction plus overhead.

29.3.13. Entering the Fixed Assets into the Fixed Assets Register should be performed within 1 day from the time of receiving the Receipt Voucher by the Fixed Assets Accountant.

Fixed Assets Categories

29.3.14. Fixed Assets should be tracked in the Fixed Assets register under the following categories (But not limited to):

- Computer Software and Hardware
- Office Furniture
- Vehicles
- Building and improvements
- Land

- Machinery
- Construction in progress/Work in progress(WIP)

Useful Life

29.3.15. Fixed Assets useful life will be considered as follows:

- Buildings: 33 Life Years
- Machinery :10 Years
- Communication: 10 Life Years
- Fixtures and Furniture: 7 Life Years
- Fittings and Improvements (e.g. partitions in offices): 7 Life Years
- Computers & Software: 5 Life Years
- Vehicles: 4 Life Years
- Construction in Progress/Work in Progress

Construction in Progress/ Work in Progress

29.3.16. The following expenditures related to construction in progress assets would normally be capitalized :

- Material and supplies
- Labour
- Contract costs, including sub contractor invoices (if any)
- Engineering and construction management
- Consulting fees

- Insurance and protection

- Interest

- Rent, utilities and depreciation of Property and Equipment used in the construction

29.3.17. Construction in Progress Assets should be transferred to the relevant asset category at the earlier of the date of final acceptance or the date where the asset is technically capable of operating and providing the service for which it is intended.

29.3.18. The full cost of work certified as completed at the end of the accounting period should be charged to Construction in Progress or asset in use.

Fixed Assets Labelling

29.3.19. For identification purposes and to facilitate tracking of the Assets, the Fixed Assets Accountant should ensure that all Assets are labelled with an assigned number (Asset Tag Number produced by the Fixed Assets Accountant).

29.3.20. Asset Tags should be printed (using bar-coding) and attached to the asset by the Fixed Assets Accountant; this is very important for tracking in the future and for Physical Count.

29.4. Output

29.4.1. The output of this process is Updated Fixed Assets Record and Fixed Asset Tags printed and applied to new Fixed Assets.

29.5. Related Processes

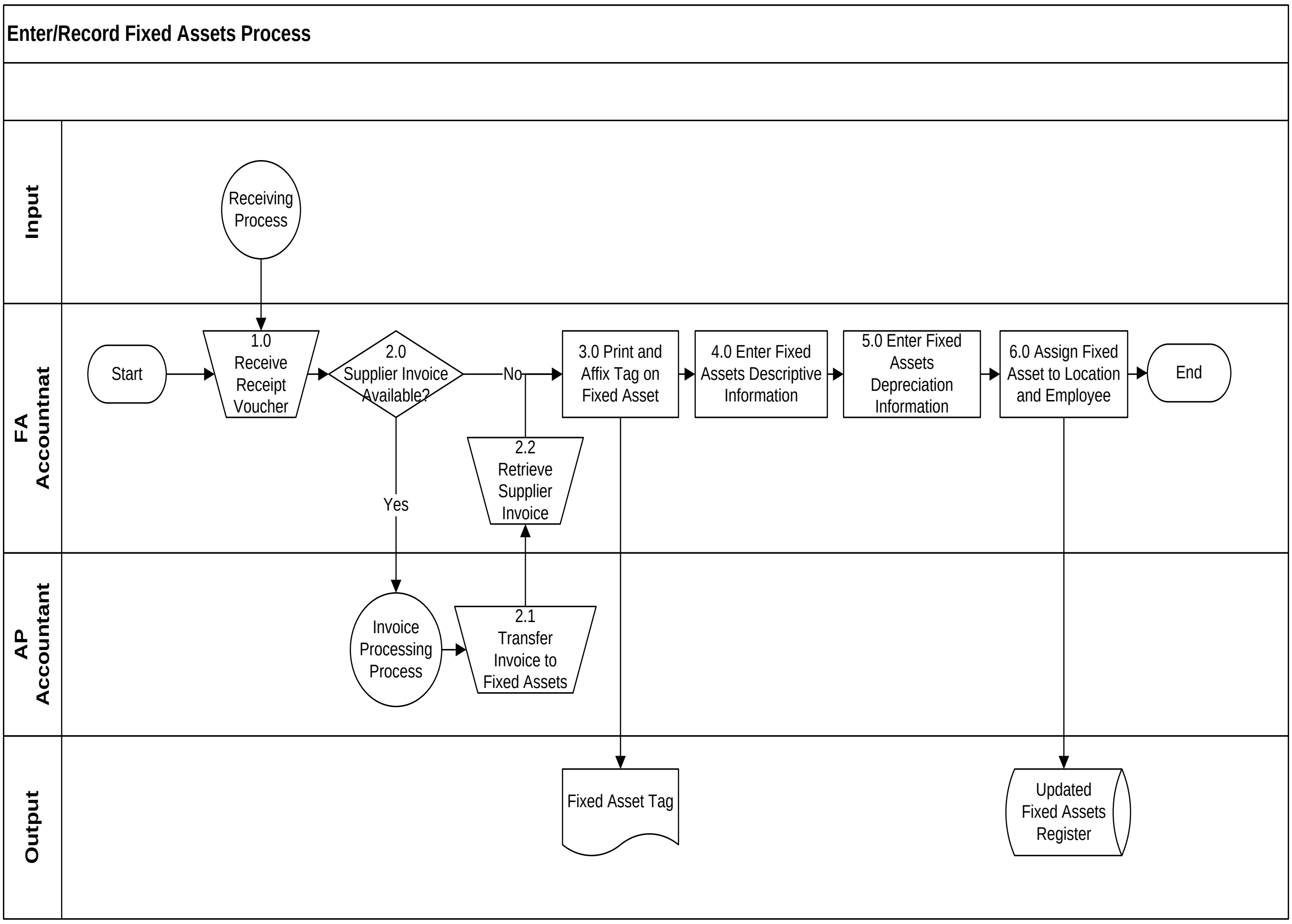
- Invoice Entry Process

- Receiving Process

29.6. Procedure

#	Step	Responsibility	Document
1.	Receive Receipts Voucher	Fixed Assets Accountant	
2.	If supplier invoice available go to step (#2.1), if not go to step (#3)	Fixed Assets Accountant	
2.1	Transfer invoice to FA Accountant	AP Accountant	
2.2	Retrieve supplier invoice	Fixed Assets Accountant	
3.	Print and affix tag on fixed asset	Fixed Assets Accountant	Fixed Asset Tag
4.	Enter Fixed Assets Descriptive Information	Fixed Assets Accountant	
5.	Enter Fixed Asset depreciation information	Fixed Assets Accountant	
6.	Assign Fixed Asset to Location and Employee	Fixed Assets Accountant	Updated Fixed Assets Register

29.7. The Process Flow Chart



30. Fixed Asset Transfer Process

30.1. Purpose & Objective

30.1.1. The purpose of this policy is to set the controls and the guidelines used to transfer Fixed Assets.

30.1.2. The objective of this process is to ensure that the transfer of the Fixed Assets is performed in a centralized, controlled, effective and a timely manner.

30.2. Input

30.2.1. The input to this process is the completion of Fixed Asset Acquisition Process (Fixed Asset Request Form) as well as a need to transfer an Asset from custodian to another.

30.3. Policies

Transfer Fixed Assets

30.3.1. As a general policy, Fixed Assets transfer will not take place unless the source and destination Functions have approved the transfer.

30.3.2. It's the responsibility of the Fixed Assets Accountant to ensure that the Fixed Asset record is updated on regular basis for additions, sales, disposals, retirements, renovations and transfers.

30.3.3. Transfer of Assets should result in transfer of accumulated depreciation to the correct account based on its new location and custodian.

30.3.4. Depreciating assets on the new cost centre should comply with the depreciation process, policies and procedures mentioned in this document.

30.4. Output

30.4.1. The output of this process is the Fixed Assets Request Form (approved by both Functions), and a fixed assets transferred from source to destination location.

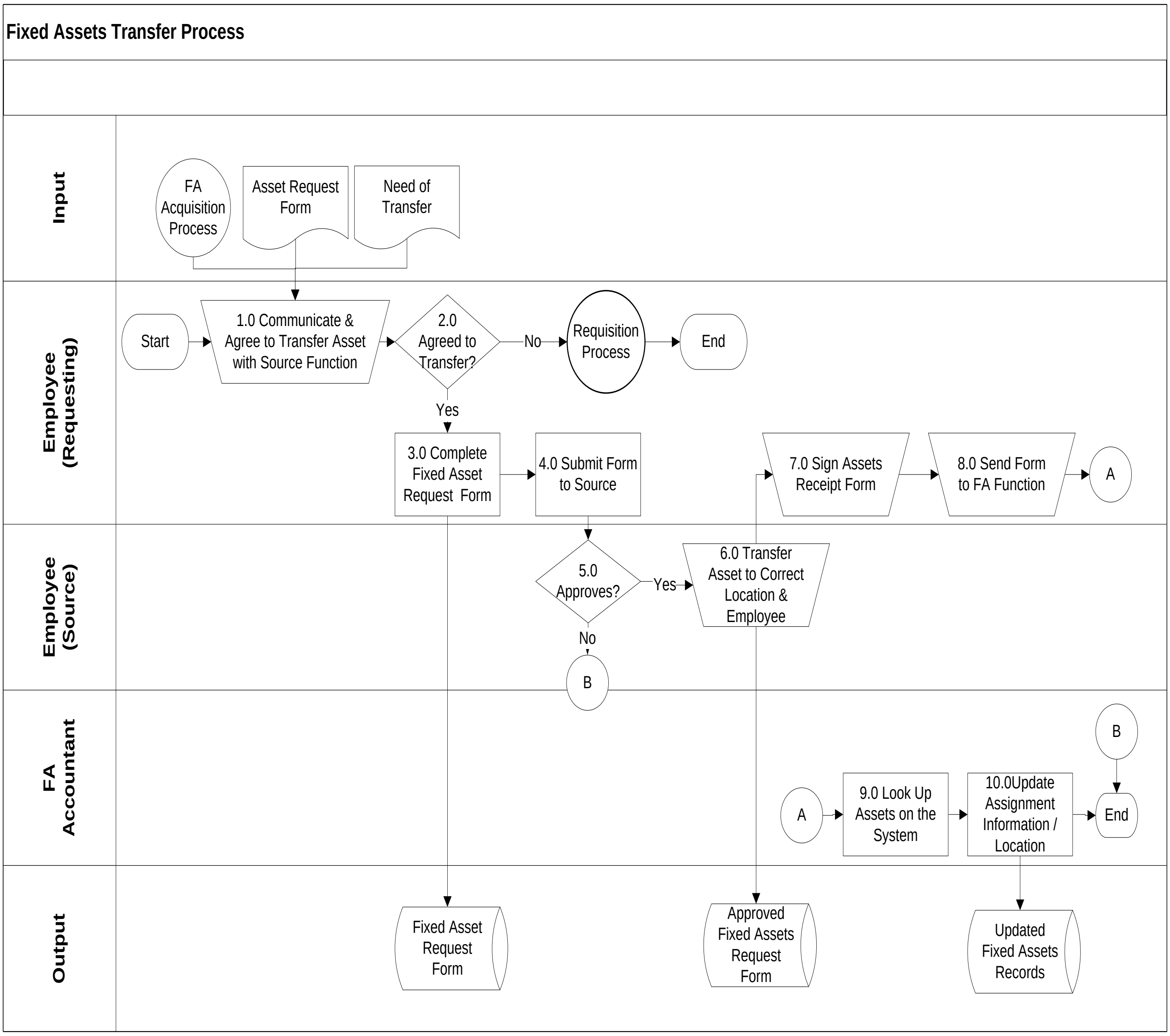
30.5. Related Processes

- Requisition Process
- Fixed Assets Acquisition

30.6. Procedure

#	Step	Responsibility	Document
1.	Communicate & Agree to Transfer Asset with Source Function	End User Function (Requesting)	
2.	If agreed go to step (#4), if not go to step (#3)	End User Function (Requesting)	
3.	Conduct Requisition Process, and the process will end here	End User Function (Requesting)	
4.	Complete Fixed Asset Request Form	End User Function (Requesting)	Fixed Asset Request Form
5.	Submit form to source	End User Function (Requesting)	
6.	If accepted go to step (#7), if not the process will end here	End User Function (Source)	
7.	Transfer asset to correct location & employee	End User Function (Source)	Approved Fixed Assets Form
8.	Sign Assets Receipt Form	End User Function (Requesting)	
9.	Send Form to FA Function	End User Function (Requesting)	
10.	Look Up Assets on the System	Fixed Assets Accountant	
11.	Update assignment information / location	Fixed Assets Accountant	

30.7. The Process Flow Chart



31. Depreciation Process

31.1. Purpose & Objective

31.1.1. The purpose of this policy is to set the controls and the guidelines used for the depreciation of Fixed Assets on a monthly basis.

31.1.2. The objective of this process is to ensure that the depreciation is calculated properly as per the designated formulas, and is accurate, and generated on a timely basis.

31.2. Input

31.2.1. The input to this process is the end of accounting period (month) indicating the need to start the depreciation runs, reviews, and transfer to General Ledger.

31.3. Policies

Preparing for Depreciation (Depreciation Projection)

31.3.1. The Fixed Assets Accountant should ensure completing all transactions related to Fixed Assets before running the Depreciation Projection Report.

31.3.2. The Fixed Assets Accountant should run a Depreciation Projection Report to produce a forecasted depreciation; this will be used to analyze the depreciation expense before running the actual depreciation.

Validating Projected Depreciation

31.3.3. If any discrepancy takes place in the Depreciation Projection Report, the Fixed Assets Accountant should solve it either by enter / record new Asset or by Asset adjustment.

31.3.4. Entering of or adjusting Fixed Assets as a result of depreciation projection should comply with the respective process, policies and procedures in this document.

Running Final Depreciation

31.3.5. The Fixed Assets Accountant should ensure running the depreciation at the end of every month using the straight line depreciation method. This means that an Asset will lose an equal amount of value each year of its estimated useful life.

31.3.6. The Fixed Assets Accountant should ensure using the appropriate depreciation method and life years as required; these will be entered based on the category of the Asset.

31.3.7. The Fixed Assets Accountant should follow the “following month” Prorate Convention; meaning that any Fixed Assets bought in the current month will be depreciated the following month.

31.3.8. The total recorded cost of the asset is divided by the number of years estimated for its useful life and the resulting number is the depreciation expense for each established year of life.

31.3.9. Depreciation should be computed monthly and charged to the depreciation expense account until the net book value of the asset reaches one Riyal.

31.3.10. The Fixed Assets Accountant should ensure that all fully depreciated Assets are carried in the books retaining their original costs and their corresponding accumulated depreciation.

31.3.11. The depreciated Assets should be recorded on continuous basis in the record until such time when they are either disposed of or retired.

31.3.12. The Fixed Assets Accountant should ensure that all Fixed Assets have been depreciated before exporting the financial transaction to the General Ledger.

Approving and Confirming Depreciation

31.3.13. The Depreciation Report should be approved by the Accounting Manager prior to confirming the depreciation in the system. Confirming depreciation should be done with extreme care due to the criticality of the activity.

31.3.14. Any need to roll-back the depreciation should be approved by the Accounting Manager. The Fixed Assets Accountant and the Accounting Manager should keep roll-back activities to the minimum.

31.3.15. The Fixed Assets Accountant should ensure completing the depreciation activities (including any necessary adjustments and roll-back) within a period of 1 working day at most.

31.4. Output

31.4.1. The output of this process is the Depreciation Projection Report, and the depreciation expense created automatically in the system based on the Fixed Assets Register.

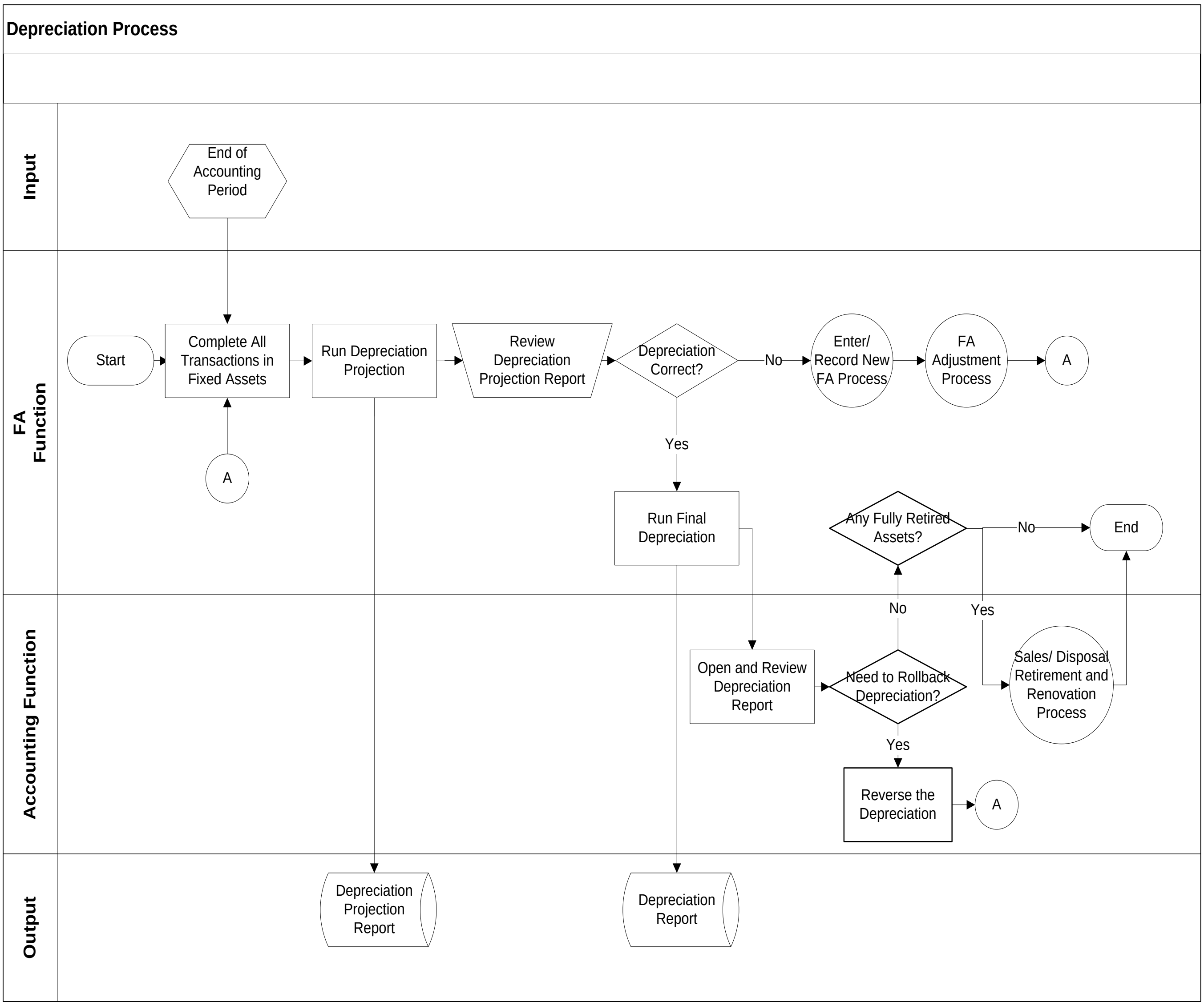
31.5. Related Process

- Enter / Record Fixed Asset Process
- Fixed Assets Adjustment Process
- Fixed Asset Sales / Disposal, Repair and Retirement Process

31.6. Procedure

#	Step	Responsibility	Document
1.	Complete all transactions in Fixed Assets	Fixed Assets Accountant	
2.	Run Depreciation Projection	Fixed Assets Accountant	Depreciation Projection Report
3.	Review Depreciation Projection Report	Fixed Assets Accountant	
4.	If depreciation correct go to step (#6), if not go to step (#5)	Fixed Assets Accountant	
5.	Conduct Enter / Record New Fixed Assets Process and Fixed Assets Adjustment Process, then go to step (#1)	Fixed Assets Accountant	
6.	Run final depreciation	Fixed Assets Accountant	Depreciation Report
7.	Open and review Depreciation Report	Fixed Assets Accountant	
8.	If there is a need to rollback depreciation go to step (#9), if not go to step (#10)	Accounting Manager	
9.	Reverse the depreciation, then go to step (#1)		
10.	If any retired assets go to step (#11), if not the process will end here	Fixed Assets Accountant	
11.	Conduct Sales / Disposal Retirement and Renovation Process	Fixed Assets Accountant	

31.7. The Process Flow Chart



32. Fixed Assets Physical Count Process

32.1. Purpose & Objective

32.1.1. The purpose of this process is to set the controls and the guidelines used for the physical counting of Fixed Assets throughout the Company.

32.1.2. The objective of this process is to ensure that the physical count is preformed on the scheduled date and accurately in order to maintain correct data in the Fixed Assets register.

32.2. Input

32.2.1. The input of this process is the need to perform Fixed Assets physical count on a yearly or as needed basis in order to ensure accurate data in the Fixed Assets Register.

32.3. Policies

Fixed Assets Physical Count Prerequisites

32.3.1. A number of prerequisites must be performed prior to the fixed assets physical count. For example:

- Movement transactions must be frozen before and during the count so Fixed Assets does not increase or decrease (remains equal for the count)
- All pending transaction (example receiving, retirement, etc) should be processed in the system
- All assets in a receiving area should be installed

32.3.2. The Fixed Assets Accountant will be responsible for processing all pending transactions in all departments in order to start the count activities.

Initiating and Performing Fixed Assets Physical Count

32.3.3. The Fixed Assets Accountant should define the count record in the system; this includes (but not limited to):

- Count name

- Data (from – to),
- Locations
- Categories
- Custodians

32.3.4. As a general rule, one full physical count should be conducted per year on all Fixed Assets items; several cycle counts (at least 2) should be conducted during the year.

32.3.5. The Fixed Assets Accountant should initiate the process by printing the Fixed Assets register. A physical count, title verification and reconciliation with recorded amounts should be performed.

Count Committee

32.3.6. A Fixed Asset Count Committee (referred to in this section as Committee) should be formed by the Executive Management Team on annual basis. The members should be appointed through official circulation and should represent the following Function (at least):

- Finance Function
- Information Technology Function
- Corporate Planning and Strategy Function
- Commercial Operations Function
- Plant Operations Function
- Human Resources & Administration Function

32.3.7. The Committee should access the system through a member (Fixed Assets Accountant) who will be in charge of performing all necessary transactions, validations and approvals on behalf of the Committee.

32.3.8. The Committee should perform the following Activates:

- Initiate the annual count
- Set-up and monitor the time table to be followed by the departments
- Reviews, Validates and approves the counts and variance
- Initiates and chairs the periodic counts
- Provide advisory notes on periodic performance

32.3.9. The physical count should be done within Five (5) working days this includes performing the actual count, recording the actual quantities counted in the Count Report, and processing the count details in the system.

Entering Fixed Assets Physical Count

32.3.10. The Physical Count Entry Report generated by the system will be used to record the actual (physical) quantities. This is the only acceptable document to be used by the Fixed Assets Accountant for recording the actual count results, and should not print system quantities.

32.3.11. The Fixed Assets Accountant (representing the committee) should enter the result of the physical count to the system and generate the Physical Inventory Comparison Report.

32.3.12. Entering the actual count to the system should comply with the details of the count report provided and authorized by the count committee.

Analyzing the Variance

32.3.13. The count committee should ensure recognizing all abnormal physical condition of the assets (i.e., idle, damaged, unused, destroyed) during the physical count.

32.3.14. The Fixed Assets Accountant will be responsible for all investigations required if any variations between physical count and detailed assets register occur.

32.3.15. A decision to recount can be taken by the GM Finance whenever the count results are not satisfactory, example the variance tolerance (1 % of value and / or Quantity).

32.3.16. The Fixed Assets Accountant should ensure implementing the proper action within 3 business working days in coordination with the Accounting Manager.

32.3.17. The Accounting should report on timely basis to VP Finance and Executive Management Team the results of the physical count (in case of variation exist) for proper action.

Approving Fixed Assets Physical Count

32.3.18. Once reviewed and validated by the Fixed Assets Accountant, the result of the physical count should be approved in accordance with the delegation of authority (DoA).

32.4. Output

32.4.1. The output of this process is a completed physical inventory count.

32.5. Related Processes

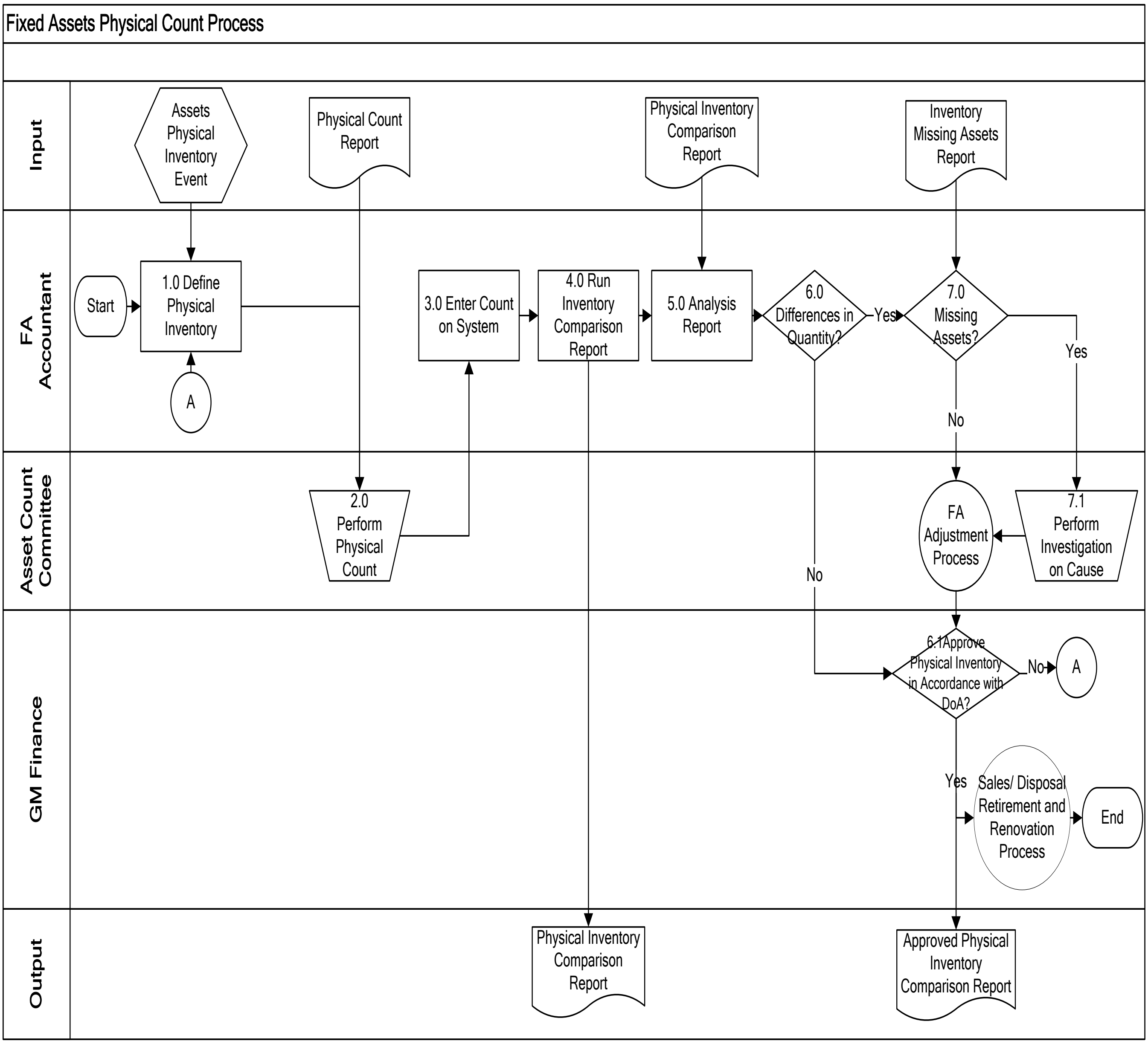
- Fixed Asset Adjustment Process

32.6. Procedure

#	Step	Responsibility	Document
1.	Define physical inventory	Fixed Assets Accountant	
2.	Perform physical count	Assets Count Committee	Physical Count Report
3.	Enter count result to the system	Fixed Assets accountant	
4.	Run Inventory Comparison Report	Fixed Assets Accountant	
5.	Analysis Inventory Comparison Report	Fixed Assets Accountant	Comparison Report
6.	If discrepancy in quantity exist go to step (#7), if not go to step (#6.1)	Fixed Assets Accountant	
7.	if missing assets go to step (#7.1), if not go to step conduct fixed assets Adjustments process	Fixed Assets Accountant	

7.1	Perform investigation on reasons and then go to step (#6.1)	Assets Count Committee	
6.1	If approve physical inventory count go to step (#8), if not go to step (#1)	Delegation of Authority	Approved Comparison Report
8.	Conduct Sales / Disposal Retirement and Renovation Process and end		

32.7. The Process Flow Chart



33. Fixed Assets Retirement Process

33.1. Purpose & Objective

33.1.1. The purpose of this policy is to set the controls and the guidelines used for selling/disposing, retiring and renovating Fixed Assets.

33.1.2. The objective of this process is to ensure that the selling/disposing, retiring and renovating of Fixed Asset is done properly, accurately and on a timely basis in the Fixed Assets Register.

33.2. Input

33.2.1. The input to this process is when an asset has fully depreciated; or when an employee identifies a need to sell /dispose, retire or renovate a Fixed Asset.

33.3. Policies

Requesting for Sales/Disposal, Retirement or Renovation of Fixed Assets

33.3.1. The Fixed Assets Accountant will initiate this process by filling a request identifying the need to sales / disposal, retire or renovate of Fixed Assets.

Fixed Assets Sales / Disposal / Retirement or Renovation Form

33.3.2. The Fixed Assets Sales / Disposal / Retirement or Renovation form should include the following fields:

- Asset Details (Name, Number)
- Location
- Category
- Physical Appearance
- Depreciation Status
- Expected Proceeds of Sales

- Expected Cost of Removal
- Cost of Renovation

Fixed Assets Renovation

33.3.3. Fixed Assets renovation is considered a request to purchase a service to renovate the fixed assets.

Obtaining Sales Offers

33.3.4. The Fixed Assets Accountant should ensure obtaining the best selling offers for the retired asset. The offers should be attached to the Fixed Assets Sales / Disposal / Retirement form, and submitted to the Accounting Manager for further validation.

Approving Sales/Disposal, Retirement or Renovation

33.3.5. Once the form is prepared it should be forwarded to the Accounting Manager for validation. All sale, disposal, retirements, or renovation should be approved in accordance with the delegation of authority matrix (DoA).

Removing / Disposing Off the Assets (Physically)

33.3.6. Depending on the nature of the asset, the Fixed Assets Accountant would request a vendor or the Transportation Function to move the assets from the premises of the company.

33.3.7. Moving the asset from the company premises should be supervised by the Fixed Assets Accountant; the asset should be handled with care during the movement activity.

33.3.8. In some cases, the disposal of the physical asset would require attendance from legal authorities. This activity should be coordinated by the Fixed Assets Accountant and relevant documentation should be secured and filed accordingly.

Processing Sales/Disposal, Retirement or Renovation

33.3.9. The Fixed Assets Accountant should ensure removing the cost of Fixed Assets from the Fixed Assets accounts at the time the Assets is retired as well as removing the assignment of Assets from employee's custody.

33.3.10. The Fixed Assets Accountant should ensure recording the gain or loss from disposing Assets as income (capital gain) or expense (capital expense) depending on the net book value as compared to the proceeds; this will take place in coordination with Accounting Manager.

33.3.11. As a general policy all differences between the proceeds and the carrying amount should be recognized in the income statement.

33.3.12. It's the responsibility of the Fixed Assets Accountant is to ensure that the Fixed Asset register is updated in regular basis for additions, sales, disposals, retirements and transfers.

33.4. Output

33.4.1. The output of this process is Assets Sales / Disposal or Retirement. As well as updating of the Fixed Assets record in the Fixed Assets Register.

33.5. Related Processes

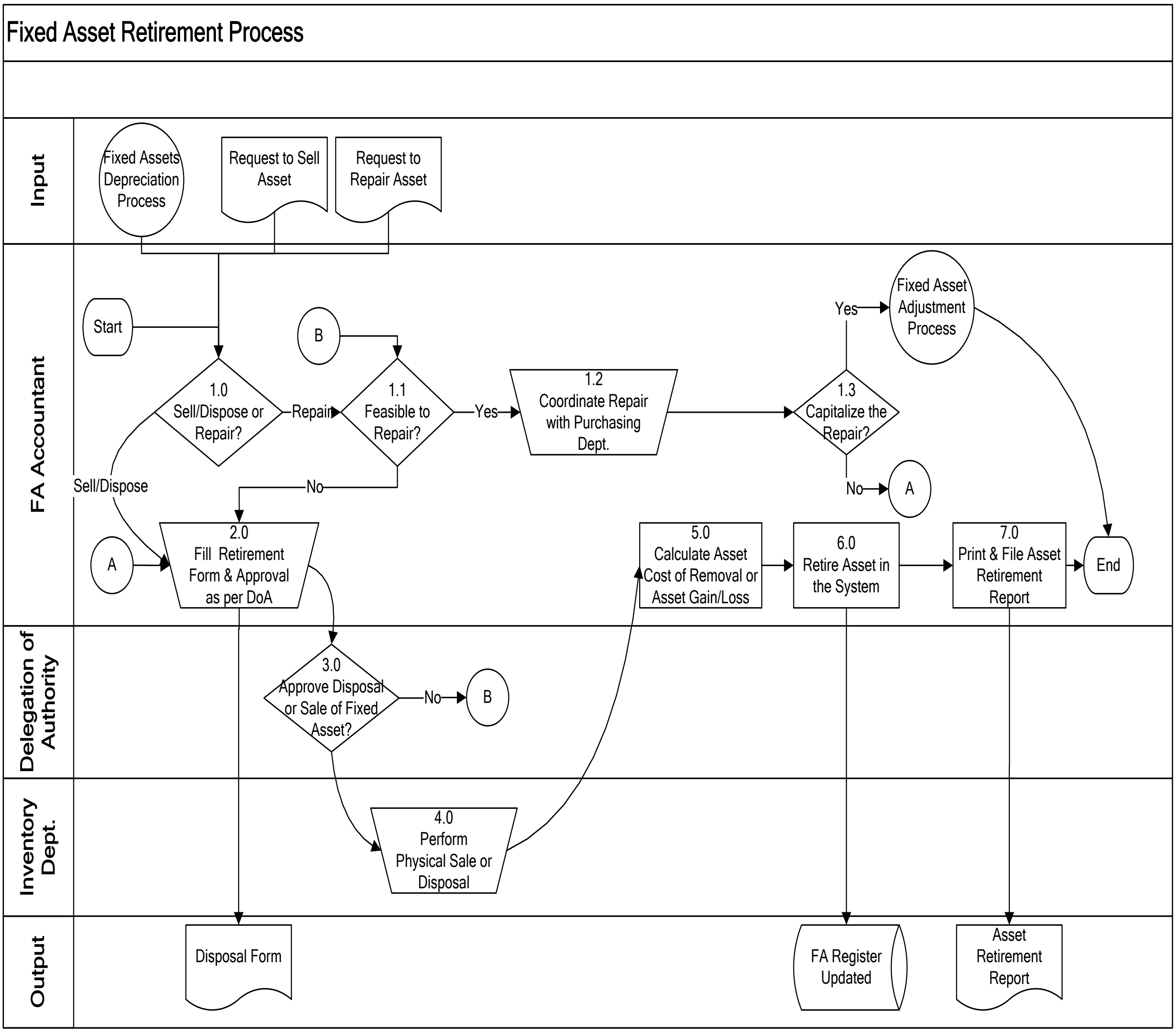
- Fixed Assets Depreciation Process
- AP/AR Invoice Processing Process
- Fixed Assets Adjustment Process
- Non-inventory Requisition Process

33.6. Procedure

#	Step	Responsibility	Document
1.0	Make a decision based on several factors: he could receive a request to sell an asset from a user department, a request to repair an asset, or could face an asset that has fully depreciated or not found after the depreciation or physical inventory process.	FA Accountant	Request to Sell, Request to Repair
1.1	Feasible to repair? Decision is based on calculating the cost of repair versus the salvage value of the asset (in other words, the feasibility If yes, continue to Step 1.2 If no, go to Step 2.0	FA Accountant	
1.2	Coordinate Repair with Purchasing Dept. (i.e. purchasing the repair service)	FA Accountant	
1.3	Capitalize the Repair?. Capitalizing the repair means that the Accountant will modify the value of the fixed asset as the repair may have increased its value – or maybe not significantly. If yes, then follow Fixed Asset Adjustment Process. The process here ends. If no, go to Step 2.0 to dispose or sell the asset.	FA Accountant	
2.0	Fill a Retirement form (indicating whether to sell or dispose). Send to Financial Controller for approval	FA Accountant	Filled Retirement Form
3.0	Approval Disposal or Sale? If yes, follow Step 5.0 If no, follow Step 1.1 to repair the asset instead.	DoA	
4.0	Perform the physical sale or disposal.	Inventory Department	
5.0	Calculate Asset Cost of Removal or Asset Gain/Loss by running Asset Gain/Loss program in the system.	FA Accountant	
6.0	Retire Asset in System. Find the asset in	FA Accountant	Asset Retirement

#	Step	Responsibility	Document
	the system using any kind of unique distinguishing information (the asset number, tag number, description, and category) and proceed to retire it.		Report
7.0	Print & File retirement reports (e.g. cost adjustment report)	FA Accountant	Asset Retirement Report

33.7. The Process Flow Chart



34. Fixed Asset Adjustment Process

34.1. Purpose & Objective

34.1.1. The purpose of this policy is to set the controls and the guidelines used for adjusting of Fixed Assets.

34.1.2. The objective of this process is to adjust Fixed Asset based on the need for updated information; this should be processed accurately and on a timely manner.

34.2. Input

34.2.1. The input to this process is the completion of Physical Count Process (for example quantities need to be changed because of variance in the count).

34.3. Policies

Initiating Fixed Assets Adjustment Form

34.3.1. The Fixed Assets Accountant will initiate the process by filling the Adjustment Form based on a required adjustment identified in the physical count, or as required by the Fixed Assets Retirement process.

34.3.2. The Fixed Assets Adjustment Form should include the following (but not limited to):

- Asset Details (Name, Number)
- Location
- Category
- Physical Appearance
- Depreciation Status
- Reaso

Approving Fixed Assets Adjustment

34.3.3. The Financial Controller should ensure that clear business justification is provided in order to authorize adjustment; the Accounting Manager might request further supporting documents or details to authorize the adjustment.

Assets Reclassification Report

34.3.4. Fixed Assets Accountant should ensure that Assets are looked up and adjusted accurately in the system. The adjustment can include descriptive, depreciation and assignment information.

34.3.5. If the Assets should be reclassified to new category the Fixed Assets Accountant should ensure that the Assets get the respective depreciation rules.

34.3.6. The Fixed Assets Accountant will be responsible for performing the reclassification process and ensuring that the fixed asset register is updated.

34.4. Output

34.4.1. The output of this Process is a reclassified asset and an updated Fixed Assets register.

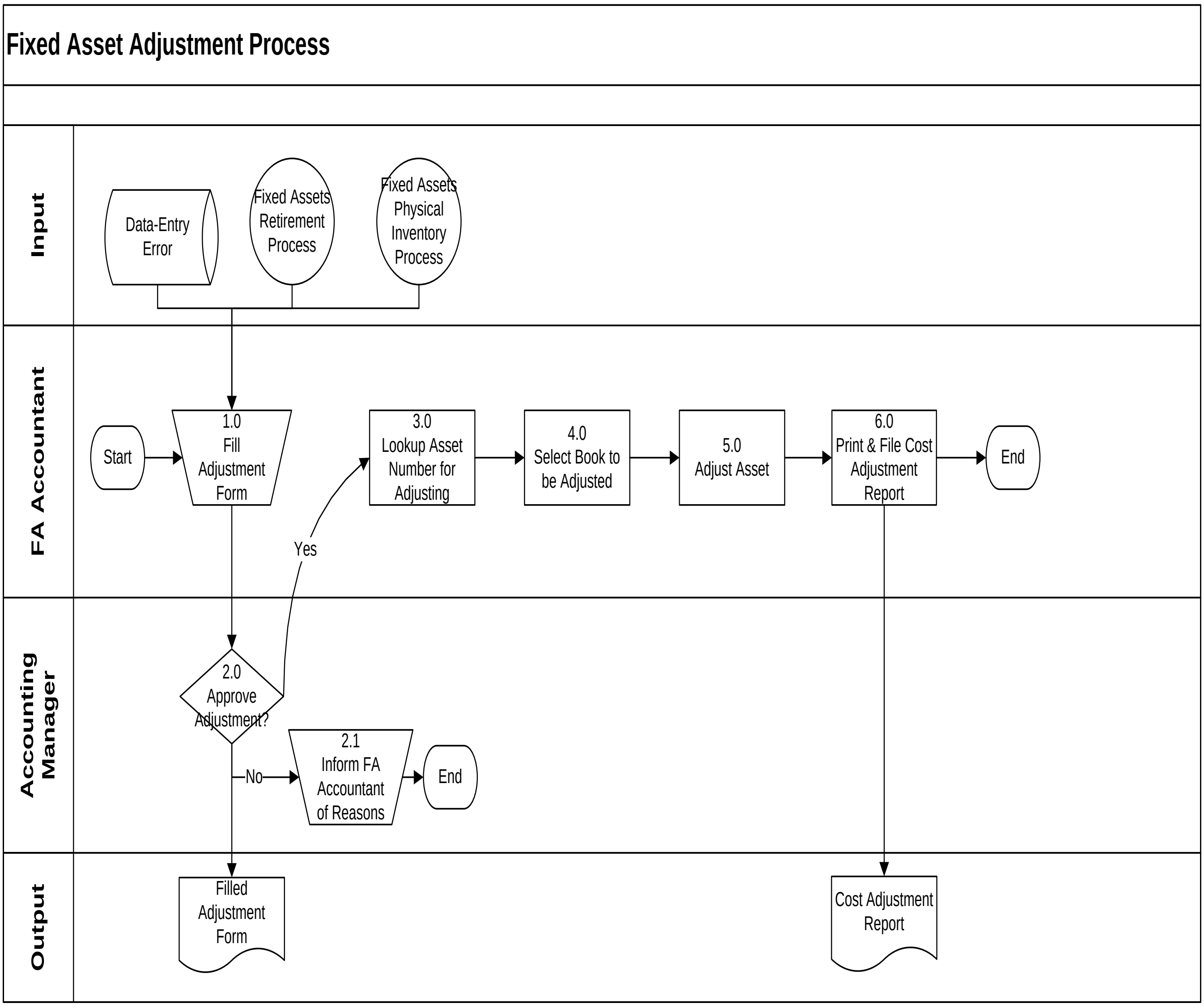
34.5. Related Processes

- Physical Inventory Process

34.6. Procedure

#	Step	Responsibility	Document
1.0	Recognize a need to adjust a fixed asset. Proceed to fill an adjustment form request and send it to the Chief Management Accountant in order to seek his approval. The adjustment could be required because of an error during data-entry, or because adjustment is required because the physical inventory process requires it, or lastly because the asset underwent repair so it must be re-valued.	FA Accountant	Adjustment Form
2.0	Approve adjustment? Make a decision weighing the reasons behind the need for the adjustment of the asset and then approve or disapprove the adjustment If no, follow Step 2.1 If yes, follow Step 3.0	Accounting Manager	Filled Adjustment Form
2.1	Inform FA Accountant of reasons for disapproval. The process ends.	Accounting Manager	
3.0	Lookup Asset Number. Find the asset in the system using any kind of unique distinguishing information (the asset number, tag number, description, and category).	FA Accountant	
4.0	Select the book that requires adjusting.	FA Accountant	
5.0	Adjust Asset making sure to save the changes in the system	FA Accountant	
6.0	Print & File Cost Adjustment Report. An audit trail for cost adjustments for a given period can be obtained through the ‘Cost Adjustments’ report.	FA Accountant	Cost Adjustment Report

34.7. The Process Flow Chart



E. INVENTORY AND COST ACCOUNTING

35. Inventory Accounting Policies

35.1. Purpose & Objective

35.1.1. The objective of inventory accounting is to identify, on a consistent basis, costs applicable to goods on hand at the end of the period and costs that should be included in cost of goods sold and expenses for the period.

35.1.2. The problems in meeting this objective that are covered in this section include determining (a) what items should be included in inventory, (b) what expenditures should be included in inventory costs. In addition, this section covers disclosure and classification matters.

35.2. Policy Guidelines

35.2.1. As a general policy, all transactions involving the acquisition, issuance, write-off and other forms of disposition of inventories shall be approved in accordance with the Delegation of Authority Manual (DOA).

35.2.2. The Company should have the following inventory criteria in inventory:

- Raw Materials
- Work In Progress (Unfinished Goods)
- Finished Goods
- Spare Parts

35.2.3. As a general policy, the company should use the Moving Weighted Average method (WAC) to cost its inventory. In case the company is to use any other costing method (FIFO or LIFO), justification and actual variances are to be declared for regulations purposes.

35.2.4. The Company inventory will be valued at the lower of cost or market less any allowance for obsolete and/or slow moving inventory items.

35.2.5. Purchased inventory is recognized based on the acquisition cost plus incidental expenses incurred in transporting and delivering the item. Such expenses include transportation, port handling, Custom, insurance, warehousing. Marketing Costs should not be included in the cost of the inventory (Landed Cost), where they affect the sale of inventory and not their acquisition.

35.2.6. Inventory should be recognized and classified as current assets when the title or risk of ownership over the goods passes to the company.

35.2.7. For (inventory) Goods In Transit, the ownership of inventory should be determined as follows:

- For items shipped Free On Board – Shipping Point (FOB-SP), the ownership over the goods will be passed to the company when received and accepted by the forwarding agent.

- For items shipped Free On Board – Destination Point (FOB-DP), the ownership over the goods will be passed to the company when physically received by AAC representative(s).

35.2.8. At year end, a "Purchase Cut-off Schedule[1]" should be prepared to determine purchases which have been shipped subject to FOB-SP though not yet physically received and hence, need to be recorded in the company books.

35.2.9. Purchase cut-off schedule shows all purchases made prior to year end but not yet received by the company, it also shows the terms of shipment (FOB-SP, etc….) and the status of goods. Such schedules usually is prepared by the purchasing department and forwarded to finance department at the end of each period

35.2.10. When inventory items are used in the operations (e.g., spare parts) the carrying amount of such items should be charged to expense account in the period in which the item is used (consumed).

35.2.11. The amount of a write down of inventories to net realizable value and all other losses of inventories shall be recognized as an expense in the period the write down or loss occurs.

35.2.12. The amount of any reversal of any write down of inventories arising from an increase in net realizable value shall be recognized as a reduction in the amount of the expense in the period in which the reversal occurs.

35.2.13. Raw materials are stated at the lower of cost or market. Cost in the case of raw materials is calculated on a moving weighted average basis, and comprises the purchase price including import duties, transport and handling costs, and any other directly attributable costs, less trade discount.

35.2.14. Finished goods and work in progress (Unfinished Goods) is stated at the lower of cost or market. Costs in the case of work in progress and finished goods comprise direct labor and material costs, and appropriate overheads.

36. Cost Accounting Policies

36.1. Purpose & Objective

36.1.1. The purpose of this policy is to set the controls and guidelines used for the company costing activities.

36.2. Policy Guidelines

General

36.2.1. As a general policy, The main categories of Operating Expenses that should be presented in AAC's income statement are:

- Employee Costs
- Direct Operating Costs
- Depreciation
- Sales, Marketing, General and Administrative Expenses.
- Other Indirect Operating Costs

Direct Operating Cost

36.2.2. Direct operating costs include all costs incurred by the company associated with its operations including the following

- Direct Material Cost
- Manufacturing Operating Cost (Plant Overhead)
- Direct Labour Cost

36.2.3. Expenditure on direct operating costs should be charged to the income statement in the period in which the related products are sold.

Direct Material

36.2.4. Direct Materials cost are the costs of the raw materials included in the finished goods that can feasibly be traced to those goods.

36.2.5. Materials should be recorded at their actual cost when entered into the production cycle.

Manufacturing Operating Costs

36.2.6. Manufacturing Operating Costs include all Plant costs associated with delivering the contract to the customers.

36.2.7. Manufacturing Operating Costs include the following:

- Repair, maintenance, depreciation, operating costs of Factories
- Rent
- Plant insurance;
- Others Specific to AAC's manufacturing operations
- Direct labour costs
- Support service cost

36.2.8. Expenditure on manufacturing costs should be charged to the income statement in the period in which the costs were incurred or maintained in the Inventory accounts if the Items are still a WIP account or a Finished Good account.

Support Service Cost allocation

36.2.9. Service (support) department costs are considered part of the overhead (indirect costs). Thus, they cannot be feasibly traced to cost objects and therefore must be allocated to the operating production department that uses the services. Examples of Service departments are: Finance, Human Resources, Planning & Inventory, Procurement, Quality Assurance, Maintenance, IT department, Executive Management etc.

36.2.10. When service departments also render services to each other, their costs maybe allocated to each other before the allocation to the operating departments.

36.2.11. For Simplicity purposes, The Company employs the direct method to allocate the service costs. It allocates the service department costs to the production departments only. For accuracy of accounting it is recommended to use the step down or reciprocal method to allocate the service department costs between each other as well.

Depreciation

36.2.12. Depreciation is the accounting process of allocating the cost of Property, Plant and Equipment to expenses in a systematic and rational manner to those periods expected to benefit from the use of the assets. Deprecation can be direct to production or included in the manufacturing overhead, and accordingly in the cost of the products if it is related to production. It can also be in indirect cost (G&A, S&M) if it is not directly related to the production cycle.

36.2.13. The straight-line method of depreciation should be used to allocate the historical cost or fair market value of each item of Property, Plant and Equipment evenly to each financial reporting period over the asset's estimated useful life.

36.2.14. Depreciation should be calculated on a monthly basis and should normally commence in the first month following the date of registration and cease in the month of disposal.

36.2.15. The registration date is in essence the date the purchased asset is placed in operation. In the case of constructed assets, this is normally the earlier of the date of primary acceptance or the date where the asset is technically capable of operating and providing the service it is intended for.

Process Cost Accounting

36.2.16. Process Cost accounting is used by the company to assign costs to inventorial goods. The objective is to determine the portion of manufacturing cost that is to be expensed, where goods were sold and the portion to be deferred, where goods are still on hand.

36.2.17. Process Costing is an averaging process that calculates the average cost of all units. Costs are accumulated by cost centres rather than by jobs.

36.2.18. The company should establish spoilage rates. Normal spoilage is a product cost and should be included in the CGM. Abnormal spoilage is a period cost and should be charged to a loss account in the period of detection.

36.2.19. The company should allocate its direct cost (Direct materials and Direct labour on an actual basis).

36.2.20. Indirect production cost (manufacturing overhead) should be identified and pooled. For each pool of indirect production cost an allocation basis should be identified. Examples of allocation basis are direct labour hours, Direct Labour Costs, machine hours, material costs and units of production.

II. POLICIES & PROCEDURES

F. FINANCIAL ANALYSIS & BUDGETING FUNCTION

37. Budgeting Processes

37.1. Purpose & Objective

37.1.1. The purpose of this policy is to set the controls and the guidelines used to perform and monitor budget activities in The Company.

37.1.2. The objective of this process is to perform the budget activities accurately, and on a timely basis; another objective is to ensure monitoring and revision of the budget, and the compliance of various functions to the agreed budget figures and terms.

37.2. Input

37.2.1. The input of this process is the start of the budget preparation period; this time is depicted in this document and represented through a budget preparation timetable.

37.3. Policies

Budget Preparation

37.3.1. Budgeting involves planning for revenue producing and cost generating activities in The Company. Budgeting is essentially the financial planning of The Company and monitoring the financial performance.

37.3.2. Revenue is provided from sales of steel products.

37.3.3. The Company generate many types of costs and expenses which will be incorporated in the budget in different formats and dimensions; example, direct and indirect, fixed and variable, long term and short term, etc.

37.3.4. Budgets are prepared on yearly basis to reflect management forecasts for the coming year. Budgets should be simple and straight forward yet comprehensive.

37.3.5. Budgets should be prepared based on the strategic objectives of The Company set by the Executive Management. Besides, the budget should reflect factual figures with a percentage of increase or decrease (from previous years) depending on The Company's objectives and external factors.

37.3.6. The standard Chart of Accounts should be used as a framework to prepare the budget in order to facilitate the budgeting process and allow for ACTUAL VS. BUDGET reporting.

The Purpose of the Budget

37.3.7. There are many purposes for budget preparation. The Executive Management should ensure promoting the following concepts regarding the purpose of the budget:

- **Integration of Activities:** The budget is the major planning tool for The Company. Thus, it is used to integrate and coordinate the activities of the various functional areas. For example, the budget should ensure that all the needed inputs (equipment, materials, labour, etc.) will be available to satisfy the requirement of The Company.

- **Communication:** Another purpose of the budget is to provide a communication tool where The Company's functional areas can see how their efforts contribute to the overall objectives of The Company.

- **Motivation:** A third purpose of the budget is motivation which is achieved as a result of the communication. This is expected to enhance the morale and job satisfaction of various functional areas – especially upon knowing how their efforts add value to The Company.

- **Development and Growth:** The budgeting process will reinforce various functions to consider various options to performance (more benefits and reduced costs).

- **Orient Performance:** The budget at The Company will play a major role in guiding the functional areas to achieve the set objectives included in the budget. Daily activities (including sales, purchasing, etc) will be sourced directly to the budget.

- **Appraisal and Monitoring:** The budget provides a mechanism for evaluating and monitoring the performance of various functions. This will be achieved by performing actual to budget analysis at periodic basis.

The Role of Budget Committee

37.3.8. A budgeting committee (referred to in this section as Committee) should be formed by the President on annual basis. The members should be appointed through official circulation and should represent the following function (at least):

- VP Finance
- Financial Planning Analysis and Budgeting Manager
- VP, Sales & Marketing
- VP, Human Resources

37.3.9. The Committee should perform the following functions:

- Initiate the annual budget
- Creates the assumptions and factors to be used in developing the budgets, and the budgeting method (example growth rates, recessions warning, booming alerts, etc). The assumptions will be the basis for budget preparation.
- Present the assumption to President /BOD, and obtain approval
- Identifies information needed, and ensure its availability to the concerned function
- Set-up and monitor the time table to be followed by the departments
- Reviews and validates and approves the budgets
- Initiates and chairs the periodic reviews

The Role of the Financial Planning & Analysis Function

37.3.10. The Budgeting Officer plays a major role in budget preparation; this is representing by consolidating, monitoring and reporting the budget activities.

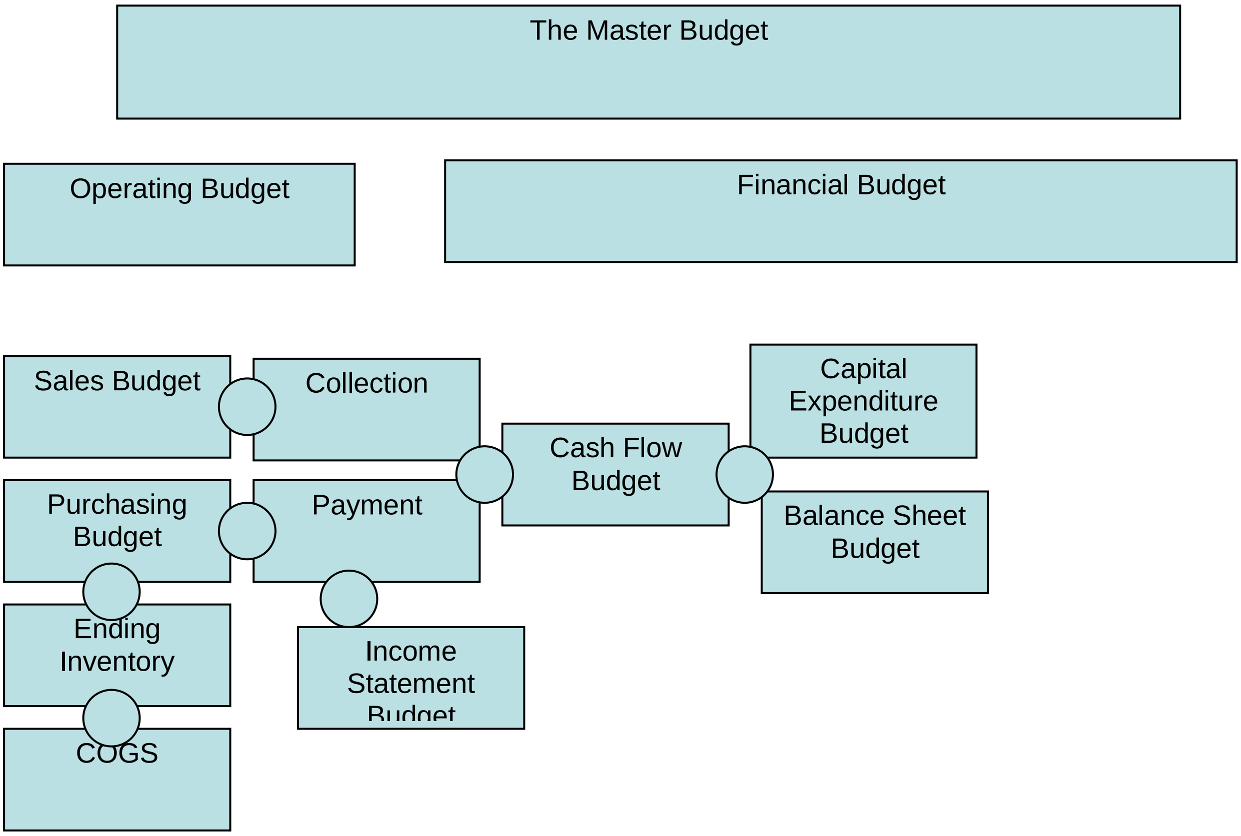
37.3.11. The Financial Analysis and Budgeting Manager is responsible for supervising and monitoring all budget preparation and consolidation activities.

37.3.12. As a general policy, the interaction between the “Budgeting Officer” and the “budget committee” will be limited to providing the necessary consolidation and monitoring reports (by the Budgeting Officer) on periodic basis or as needed basis.

Types of Budget

37.3.13. The Master Budget consists of two main parts, the operating budget and the financial budget. The operating budget starts with establishing the sales budget and concludes by the budgeted income statement. The financial budget consists of the capital expenditure budget, the cash flow budget, and a budgeted balance sheet.

37.3.14. The following diagram depicts the budget and its relations:



37.3.15. The Company should establish and maintain the 2 types of budgets which are the components of the Master Budget:

- Operating Budget
- The Financial Budget

THE OPERATING BUDGET

37.3.16. Preparing an Operating Budget is a sequential process of developing sub-budgets. The sub-budgets are based on operating plans prepared earlier by other functions, example sales forecast, production plan, etc. These budgets should be prepared in the following sequence:

- Sales
- Production (for the Plant)
- Direct materials

- Direct labour
- Plant overhead
- Ending inventory
- Cost of goods sold
- Selling & Distribution, General and Administrative
- Income Statement

Sales Budget

37.3.17. The Sales Budget details should be based on the Sales forecasting data generated by the Sales Function.

37.3.18. The Sales Budget should utilize system built-in relations and pre-defined setup data to calculate the Sales Budget; manual financial sales budget booking should be strictly forbidden, example of setup data to be used:

- Item Code
- Item Category
- Price List

Production Budget

37.3.19. The production budget includes consideration of the financial value of the desired inventory to be produced by the Plant of The Company. This will be based on the production plan; note that production plan has to be booked in the production system.

37.3.20. Developing the production budget involves calculating the budgeted production plan using the expected unit cost of item to be produced.

Direct Material Budget

37.3.21. The direct material budget includes consideration of the financial value of the desired inventory to be purchased for the purpose of usage; note that direct material quantities have to be booked / generated in the system based on the operational plan.

37.3.22. Developing the direct material budget involves calculating the budgeted direct material using the expected unit cost of the items to be purchased.

Direct Labour Budget

37.3.23. The direct labour budget includes consideration of the financial value of the desired labour to be utilized in the operations note that the labour requirement has to be booked / generated in the system based on the operational plan.

37.3.24. Developing the direct labour budget involves calculating the budgeted direct labour using the expected labour hours and labour cost.

Overhead Budget

37.3.25. The overhead budget includes consideration of the financial value of the expected overhead to be incurred by the Company; note that operational plan has to be booked in the production system.

37.3.26. Developing the overhead budget involves calculating the expected overhead based on the operational parameters, example working hours, time, etc.

Ending Inventory Budget

37.3.27. The Ending Inventory budget represents the financial value of the ending inventory of finished goods; this information should be generated automatically based on the previous budgets. The information in the Ending inventory budget is needed for the budgeted balance sheet.

Cost of Goods Sold Budget

37.3.28. The cost of goods sold budget is the financial value of goods sold. The information should be generated automatically based on the previous budgets. The Cost of goods sold budget is needed for the income statement.

Selling and Distribution Expense, General and Administrative Budget

37.3.29. The Selling and Distribution plus the General and Administrative expenses budget represent budgeted expenses that will be incurred by the Operational Function while performing the daily business activities, example Sales Function, Marketing Function, Finance Function, administration, etc.

37.3.30. The Selling and Distribution plus the General and Administrative expenses should be booked to the system (including full description of the expense incurred) by the relevant function.

37.3.31. The Selling and Distribution plus the General and Administrative expenses budget should be justified by the function heads and supported by other operating budgets, example sales budget, and purchasing budget.

37.3.32. The Selling and Distribution plus the General and Administrative expense should be validated by the Financial Analysis and Budgeting Officer (against previous year expenses and expected operational activities) and approved by the Committee.

37.3.33. Once approved, the Selling and Distribution plus the General and Administrative expenses budget will be consolidated and booked to the system by the Budgeting Officer.

Budgeted Income Statement

37.3.34. The budgeted income statement involves combining the relevant values from the sales, cost of goods sold and expense budgets; this implies adding the revenue and deducting the expense.

37.3.35. The budgeted Income Statement should be validated by the financial Analyst (against previous year expenses and expected operational activities) and approved by the Committee.

THE FINANCIAL BUDGET

37.3.36. The financial budget consists of the following budgets:

- Capital budget

- Cash budget

37.3.37. All the components of the mentioned financial budgets should be generated automatically based on the input other budgets, operational and other financial budgets.

Capital Budget

37.3.38. Capital budget is a consolidation of the capital expenditure requirement which has been identified by various functional areas through the Capital Expenditure Planning Process.

37.3.39. The capital budget should be validated by the Budgeting Officer (against previous year expenses and expected operational activities) and approved by the Committee.

37.3.40. Once finalized, the capital budget (sales and disposals of fixed assets) should be considered and incorporated in the Cash Budget.

37.3.41. Once the Capital Expenditures Budget has been reviewed and approved by the budget committee, all related expenses (i.e. depreciation) should be budgeted and incorporated in the Operating Budget.

Cash Budget

37.3.42. Cash budget is the budgeting of Cash Available; it should reflect the Beginning Cash Balance + Budgeted Cash Collections from and the ending cash balance.

37.3.43. The information needed to develop an equation for collections is provided by the receivable function and is normally based on past experience; this equation should be built in the system.

37.3.44. These calculations provided for cash collections are somewhat (not very accurate) because of the effects of cash discounts and the time lags between credit sales and collections. Thus a periodic maintenance of the cash budget is vital.

Budgeted Balance Sheet

37.3.45. Preparing the budgeted balance sheet involves accumulating information from the previous period's balance sheet, the various operating sub-budgets, and the

cash budget. The budgeted balance sheet should include the following details (this is a sample only):

- Assets
- Current Assets
- Cash (from the cash budget)
- Accounts Receivable (from the sales budget and previous balance sheet)
- Direct materials (from the ending inventory budget)
- Finished goods (from the ending inventory budget)
- Long Term Assets:
- Land (from capital expenditure budget)
- Buildings (from previous balance sheet and budgeted activity)
- Equipment (from previous balance sheet and budgeted activity)
- Accumulated depreciation (from the accounting records)
- Total Assets
- Liabilities
- Current Liabilities
- Accounts Payable (from various operating sub-budgets)
- Zakat Payable (from income statement)
- Long term Liabilities
- Total Liabilities

- Common Stock (from previous balance sheet and budgeted activity)
- Retained Earnings (from previous balance sheet and income statement

Budget Consolidation

37.3.46. Budget consolidation represents the activities performed by the budgeting Officer represented in obtaining, reviewing, validating and consolidating different budgets into the master budget.

37.3.47. Consolidation should provide roll-up and down as well as proper reporting facility in different dimensions, among which are (but not limited to):

- Item and Item Category
- Location
- Function
- Time (month, Quarter, etc)
- History

Budget Approval

37.3.48. It is very important that the consolidation activities are performed as per the timetable depicted in this document in order to ensure speed revision and approval by the Budgeting Committee.

37.3.49. Once the master budget is approved by the VP Finance and Committee it should be forwarded to the BOD for final revision, validating and approval.

37.3.50. All adjustments and amendments to the budget suggested by the Executive Management should be discussed with the Committee, and validated by the Financial Analysis and Budgeting Manager.

37.3.51. All adjustments and amendments should be incorporated by the Budgeting Officer and should be reflected in revised final budget (for final sign-off).

Budget Timetable

37.3.52. The Committee should implement the following timetable guidelines:

- Initiating Memo: 1-10 September
- Operating & Capital Expenditure Planning: 10-30 September
- Consolidating Budget: October
- Finalizing Budget:
  - Finance (Financial Planning & Budgeting): October
  - Committee: November
  - Executive Management: November - December

37.3.53. All functions should commit to the time table in providing the committee with required information. Not abiding by the time table should be handled by the Committee immediately, and / or reported to the VP Finance and management for proper action.

Budget Periods

37.3.54. The budget should be prepared for 12 month periods and allows for the breakdown into monthly, quarterly, semi-annual and annual periods; it should permit the booking, reviewing, reporting and analysis during the mentioned periods.

Budget Control

37.3.55. The signed-off budget should be strictly enforced; all figures should be utilized by various functions in all their business transaction, example purchasing, sales, etc.

37.3.56. A budget failure in any operating transaction (example purchase requisition, purchase order, etc) should be detected automatically by the system and forwarded to the Budgeting Officer for proper action.

37.3.57. Budget failure should be investigated by the Budgeting Officer and handled through one of the following activities:

- Override the Budget
- Transfer between funds among accounts
- Increase the budget
- Halt the source transaction

37.3.58. Updating budget during the course of business activities (example purchasing goods not budgeted) should comply with the Budget Update process, policies and procedures (mentioned in this section).

Budget Review

37.3.59. Budget review is the activity of comparing the actual performance of various functions against the budgeted figures in order to assess and ensure compliance to the budget.

37.3.60. Budget review is initiated by the Budget Committee; the reporting and validation is done by the Budgeting Officer and the Committee.

37.3.61. Budget review should be conducted daily, weekly, monthly and at the end of each quarter (within the first week of the new month; the analysis should cover all the related sub-budgets, example Sales budget, Purchasing budget, Cash budgets, etc.

37.3.62. Based on the review, the Budgeting Officer should issue a projection for the balance of the year adjusting the monthly phasing to achieve the master budget or more.

37.3.63. The Actual versus Budget Report should include actual progressive information from the sub-ledger, like actual sales, cash, disbursement, and receivables, current debt incurred and should utilize percentage of the budgeted figures. Examples of progressive data:

- Month to Date Sales
- Year to Date Sales

37.3.64. Updating budget as a result of budget review should comply with the Budget Update process, policies and procedures (mentioned in this section).

Budget Update Process

37.3.65. The Budgeting Officer should report budget results, analyze variances, provide justification (if available) and report the overall performance (compliance or non-compliance) of The Company to the Committee.

37.3.66. The Committee should review justification, consult with operating function (if needed), provide necessary recommendation, and report to the Executive Management the overall performance.

37.3.67. A level of tolerance (to be set by the Committee) should be in place for budgeted figures. Any deviation from the level of tolerance should be investigated and handled through a corrective action.

37.3.68. The concerned function is responsible for justifying all variances above the acceptable tolerance set by the Committee. Justification should be made within 2 business days.

37.3.69. Revising budgets should be done in a very controlled manner after the obtaining the approval as per the delegation of authority (DoA) ; implementing the revision should be done by the Budgeting Officer with extreme care.

37.3.70. Revising budget should be strictly applied on the operating plans (example sales forecast, capital expenditure planning, production plan) rather that the master financial budget itself. Results of updating the operating plan should be posted to the financial budget.

37.3.71. Updating budgets in the system should take place once in a month at most – highly recommended during the last working day. The purpose of this is ensuring having a well standing budget during the running period.

37.3.72. The history of budget updates (including the purpose, frequency, concerned) should always be made available in the system; these will represent set of information for the budget Committee for next year budget.

37.4. Output

37.4.1. The output of this process is a completed master budget (manual and in the system) which is approved, published, adhered to, reviewed and controlled.

37.5. Related Processes

- None

37.6. Preparation Process)

#	Step	Responsibility	Document
1.	Generate prior year actual vs. Budget Reports	Budget Committee	
2.	Review the general conditions of the Market	Budget Committee	
3.	Document general assumptions and timetable for budget	Budget Committee	General Assumptions
4.	Present general assumptions to Executive Management	Budget Committee	
5.	Review the general assumptions	Executive Mgt Team	
6.	Assumption approved? If approved continue the procedure 7.0 if not approved go to step (#1)	Budget Committee	
7.	Circulate assumptions, information and timetable to functions	Budget Committee	
8.	Enter Selling, Distribution & General Expenses	Functions	Sales Forecasting Capital Expenditure Projected Expenses
9.	Validate Selling, Distribution & General Expenses		
10.	Validate expense? If expenses are validated continue the procedure step 11.0 If not go to step to step (#8)	Functions	
11.	Submit Expenses for Validation	Functions	
12.	Retrieve and review the expenses	Budgeting Officer	
13.	Validate expense? If validated continue the procedures step 14 If not go to step (#8)	Budgeting Officer	

14.	Convert expenses to master budget	Budgeting Officer	
15.	Submit master budget to Budget Committee	Budgeting Officer	
16.	Retrieve & Review Master Budget	Budget Committee	
17.	Budget Approved? If yes go to step 18.0 If no go to step 8.0	Budget Committee	
18.	Consolidate Budget at Company Level	Budgeting Officer	Master Budget
19.	Validate Budget at Company Level	Budgeting Officer	
20.	Budget Validated? If no go to step 16.0 If yes go to step	Budgeting Officer	
21.	Submit budget for approval	Budgeting Officer	
22.	Retrieve and review budget	Executive Mgt Team	
23.	Budget approves? If budget is validated continue the procedures step 23.0 If not go to step (#8)	Executive Mgt Team/BOD	
24.	Circulate Budget to Business Functions	Executive Mgt Team	

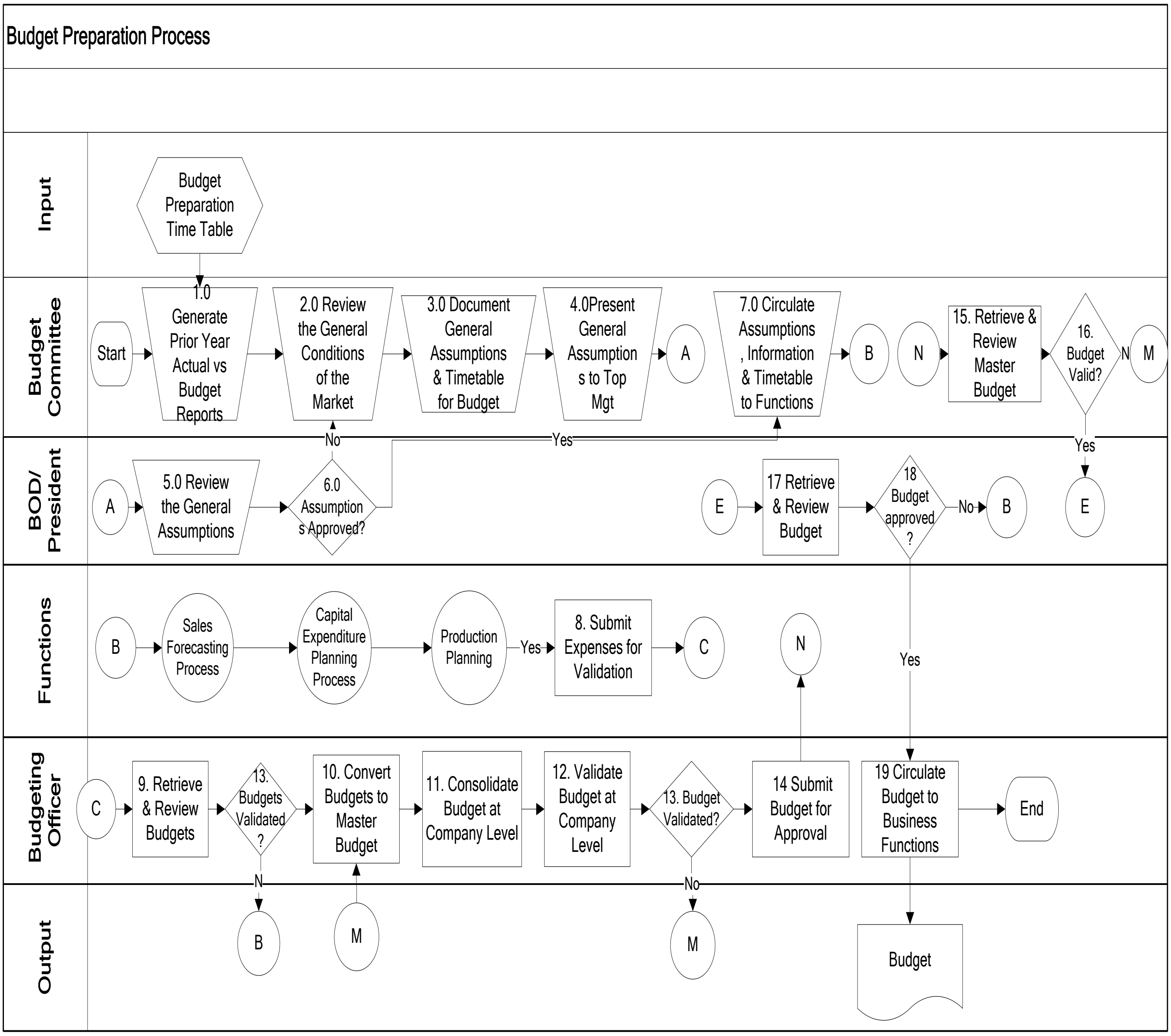
37.7. Procedure (Budget Transfer – Update Process)

#	Step	Responsibility	Document
1.	Forward failed budget document to Budgeting Officer	Functions	
2.	Review and validate budget failure	Budgeting Officer	
3.	Consult with concerned Function	Budgeting Officer	
4	Provide justification on request	Functions	
5.	Take the Budget Decision		
6.	Need to Consult with Committee? If no go to step 6.1 If yes go to step 7.0	Budgeting Officer	
6.1	Apply the Necessary Changes to Budget, then process end	Budget Committee	
7.	Present justifications to Executive Management	Budget Committee	
8.	Receive and review justifications	Executive Mgt Team	
9.0	Need to Consult with Executive Mgt? If yes go to step 9.1 If no go to step 10.0	Budget Committee	
9.1	Present Justification to Executive Mgt	Budget Committee	
9.2	Receive & Review Justifications	Executive Mgt Team	
9.3	Communicate Decision to Committee, then go to step 10.0	Executive Mgt Team	
10.	Communicate Decision to Mgt Acct Function, and then go to step 6.1 then process end.	Budgeting Officer	

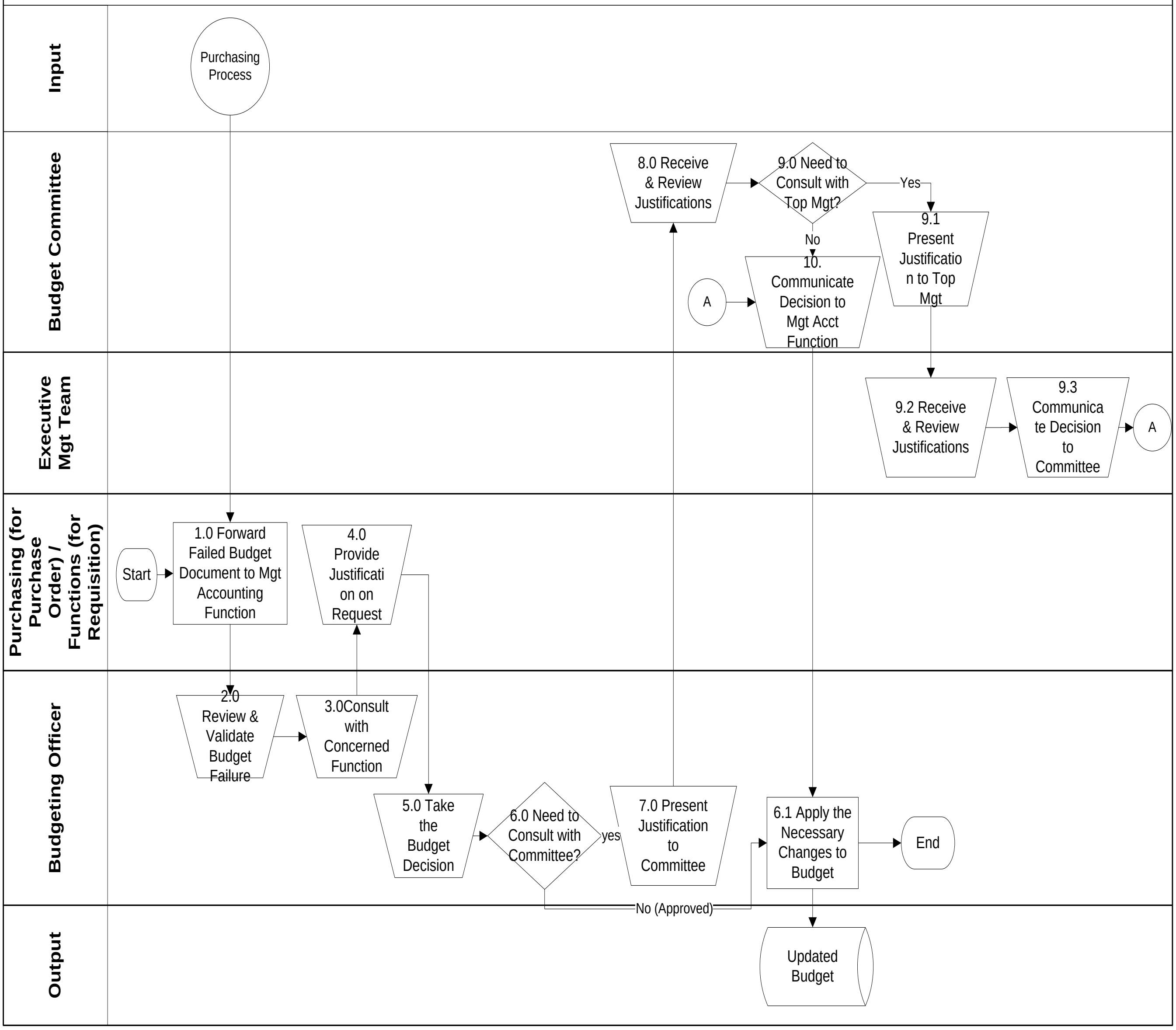
37.8. Procedure (Budget Revision Process)

#	Step	Responsibility	Document
1.	Initiate the Budget Revision	Budget Committee	
2.	Generate Actual vs. Budget Reports	Budgeting Officer	Actual vs. Budget Report
3.	Review and validate reports	Budgeting Officer	
4.	Analyze variance and provide justification	Budgeting Officer	
5.	Review and validate reports and justifications	Budget Committee	
6.	Need to Consult with Functions? If yes go to step 6.1 If no go to step 7.0	Budget Committee	
6.1	Provide Justification on Progress	Function	
7.	Present Actual Vs. Budget to Executive Mgt	Budget Committee	
8.	Review Actual vs. budget performance	Executive Mgt Team	
9.	Approve performance and authorize adjustment	Executive Mgt Team	
10.	Circulate adjustments to Budgeting Officer	Budget Committee	
11.	Apply necessary changes	Budgeting Officer	

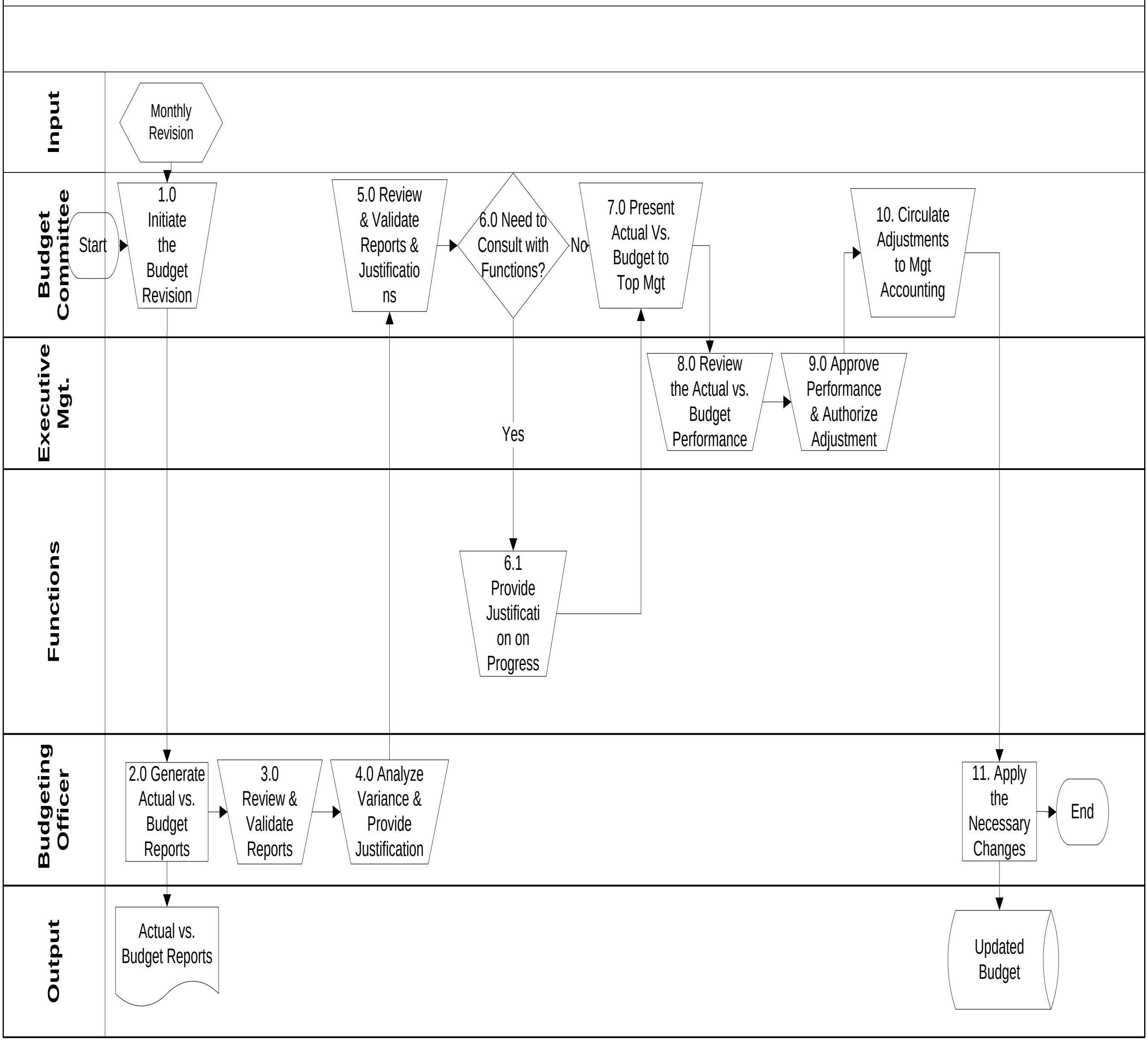
37.9. The Processes Flow Chart



Budget Transfer (Update) Process



Budget Revision Process



III. POLICIES & PROCEDURES

G. CASH MANAGEMENT & TREASURY

38. Opening Closing Bank Accounts Process

38.1. Purpose & Objective

38.1.1. The purpose of this policy is to set the controls and the guidelines used for opening and closing bank accounts in the Company.

38.1.2. The objective of this process is to ensure that opening and closing of bank accounts is performed accurately, with minimum risks, and on a timely basis.

38.2. Input

38.2.1. The input to this process is a request by the Treasury Manager to open a new bank account or close existing one in order to satisfy the requirement of the company.

38.3. Policies

Purpose of Bank Accounts

38.3.1. Bank accounts are used in the company for the following purposes:

- Operational Needs: Example, Collection and Payments
- Administration and Human Resources: Example, payroll
- Financial Purposes: Example, for funding and facilities purposes

38.3.2. Opening bank account for other than the mentioned purposes should be upon Executive Management Team instructions; this should be done after performing the necessary verification and obtaining the needed approvals.

Opening Bank Account

38.3.3. The Treasury Manager should initiate Opening Bank Accounts based on the Company needs; the Treasury Manager will suggest opening an account in the bank that satisfies the purpose for opening the bank account.

38.3.4. The recommendation of the Treasury Manager to open new account should take into consideration the following factors (not limited to):

- Availability of other Accounts in the same Bank
- Financial Stability
- Availability of Branches
- Location of the Bank
- Customer Service of the Bank
- Electronic Banking
- Funds and Facilities Capabilities
- Other Banking Services

38.3.5. The Treasury Manager should ensure reading the selected bank's legal terms and conditions and ensure its compliance with the company policies.

38.3.6. The Company should refrain from selecting the bank if the bank imposes any kind of contingent liabilities towards the company.

38.3.7. Depending on the services available in the market / selected bank and the purpose of the bank, the Treasury Manager can choose opening a bank account taking into consideration that it should satisfy the Company requirement.

38.3.8. Electronic services related to on-line disbursement should be disabled. The bank should be instructed not to activate this feature to the company due to the high risks involved in this activity.

Closing Bank Account

38.3.9. Closing a bank account should be a last resort in dealing with a bank that is not meeting the requirements of the Company in relation to:

- Accuracy of transactions
- Customer service
- Services offered
- Financial Stability
- Availability of Branches
- Location of the Bank

38.3.10. The Treasury Manager should initiate Closing Bank Accounts based on the Company's needs; the Treasury Manager will suggest closing the bank account that is not serving the purpose of maintaining the bank account.

Processing Opening / Closing Bank Accounts

38.3.11. The Cash Management Officer will process all banking activities at the Company; this includes:

- Filling the Bank Account Application Form
- Prepare Bank letter to open / close account
- Obtain approval from the designated approver
- Send approved Application Forms to the Bank
- Receive confirmation from the Bank regarding the required service
- Ensuing opening of the Bank Account in the system
- Assigning of authorized signatories

38.3.12. The Cash Management Officer should ensure the processing of bank account in the system; this should be done as per the GL Chart of Accounts Management process, policies and procedures.

38.3.13. The Cash Management Officer should ensure that all the required activities regarding opening / closing Bank accounts are processed within one business working day.

Approving Opening / Closing Bank Account

38.3.14. As an initial step, the VP Finance should review the recommendation provided by the Treasury Manager, and ensure its compliance to the Company requirement and the purpose of the bank account.

38.3.15. The Recommendation of opening/ closing Bank Account should be reviewed by the VP Finance prior to submitting the recommendation to the Company President.

38.3.16. Opening / closing a bank account should be approved in accordance with the delegation of authority matrix (DoA); the approver should ensure that the selected bank account will satisfy the requirement of the Company.

Maintaining Bank Accounts

38.3.17. The Cash Management Officer should ensure providing the bank with the updated identification, classification (example license renewals) of the Company whenever it changes.

38.3.18. The Treasury Manager should identify the need for transferring funds between the company bank accounts, all the company funds transfer activities should be approved in accordance with the delegation of authority matrix (DoA).

Bank Account Signatory

38.3.19. Bank account signatories should be responsible to authorize the following activities:

- Opening Bank Accounts
- Closing Bank Accounts
- Processing Disbursements

- Maintaining the Bank Accounts

38.3.20. The General Manger of Finance should recommend primary and secondary signatories for all Bank accounts, in case of primary signatory absence; the secondary signatory should assume the responsibility of the primary signatory.

38.3.21. Recommended bank signatories should be submitted to the company President for review. The Company President should forward recommended Bank Signatories to the Board of Director for approval.

38.3.22. As general policy, the company Board of Directors should approve all recommended bank signatories, in order to the bank signatories to commence their duties.

38.3.23. Banks should be notified promptly of all changes in the authorized signatories and their related limits. This activity should be performed by the Treasury Manager and monitored by the VP Finance.

Monitoring of Bank Accounts

38.3.24. Treasury Manager should ensure monitoring the Company's bank accounts on a continuous basis to ensure that sufficient cash resources are available to meet the Company's cash disbursement requirements as they become due.

38.3.25. The Treasury Manager should ensure evaluating the Company bank accounts based on the operating efficiency, flexibility and accuracy at least once per quarter.

38.4. Output

38.4.1. The output of this process is an approved or rejected request to open / close Bank account, and the subsequent bank account opened in the designated bank and the system.

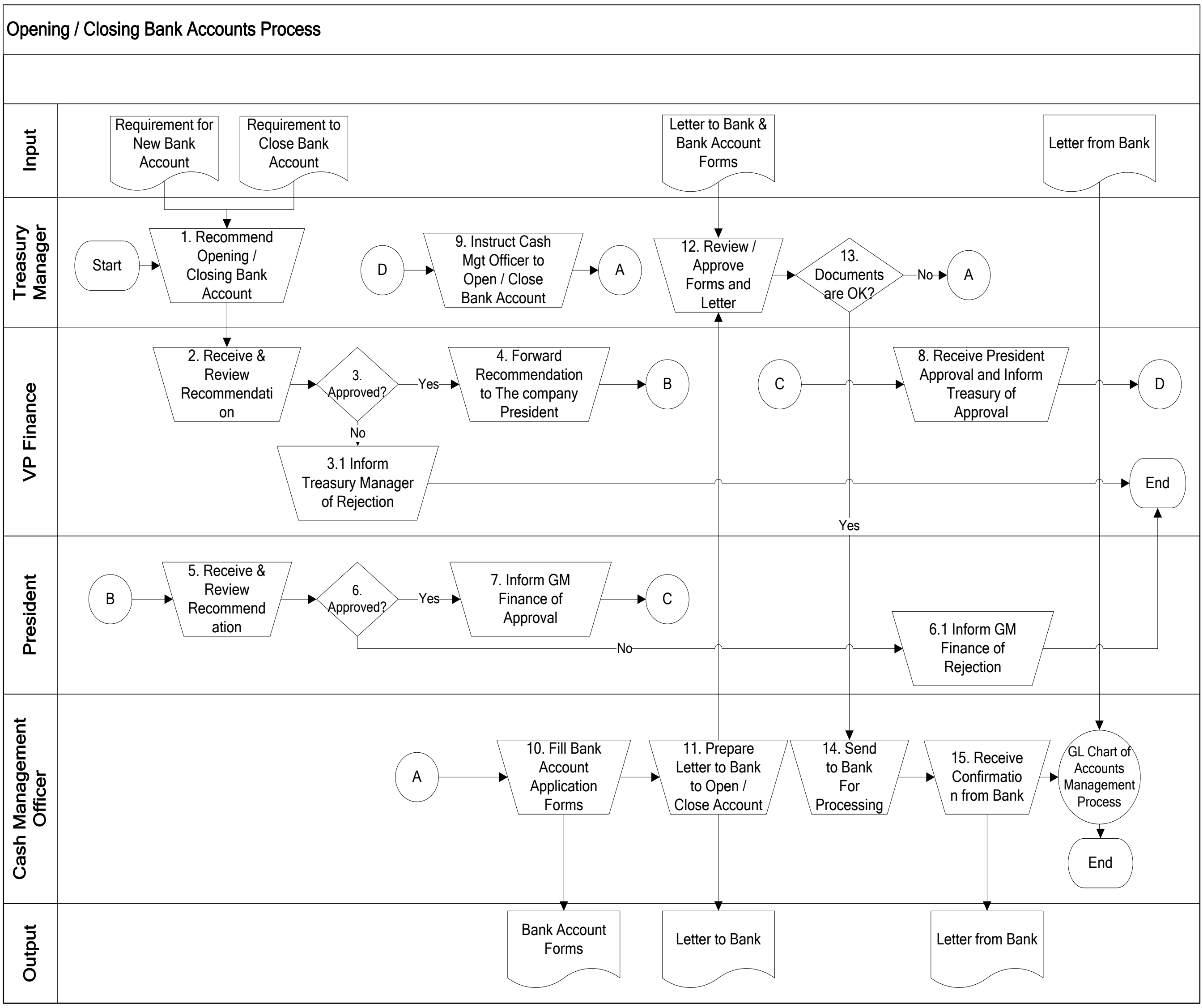
38.5. Related Processes

- GL Chart of Accounts Management Process

38.6. Procedure

#	Step	Responsibility	Document
1.	Recommend opening / closing bank accounts	Treasury Manager	
2.	Review recommendations	VP Finance	
3.	Approved? If approved recommendation go to step (#4), if not the process will end here	VP Finance	
4.	Forward approved opening/closing bank account to the company president	VP Finance	
5.	Receive and review recommendation,	President	Approved recommended bank account
6.	Approved? if approved go to step(#7) if not the process will end here	President	
7.	Inform VP Finance of approval	President	
8.	Receive president approval and Inform Treasury Manager of approval	VP Finance	
9.	Instruct Cash Management Officer to open / close bank account	Treasury Manager	Approved recommended bank account
10.	Fill bank account application forms	Cash Management Officer	Bank Account Form
11.	Prepare latter to bank to open / close bank account	Cash Management Officer	Letter to Bank
12.	Review / approve forms and letters	Treasury Manager	
13.	Documents are ok? If documents approved go to step (#14), if not go to step (#10)	Treasury Manager	Approved Bank Account Documents
14.	Send to bank for processing	Cash Management Officer	
15.	Receive confirmation from bank, then go GL Chart of Accounts Management Process	Cash Management Officer	Confirmation

38.7. The Process Flow Chart



39. Cheque Books Request & Custodianship Process

39.1. Purpose & Objectives

39.1.1. The purpose of this policy is to set the controls and the guidelines used for requesting cheque books and their ownership within the Company.

39.1.2. The objective of this process is to ensure that cheque books are always available and the proper custody of cheque books.

39.2. Input

39.2.1. The input to this process is a need to request a cheque book; this need will be generated by any Cheque Book Custodian.

39.3. Policies

Distribution of Cheque Books

39.3.1. All cheque books should be assigned to one Custodian (for each business purpose i.e., operational, administration, and financial) to facilitate the tracking of cheques issuing. This will be called the Primary Custodian.

39.3.2. The Treasury Manager should ensure that the Custodian has only one cheque book for the same Bank; unless reasonable justification were provided (example they need to issue more than cheque book paper quantity at one time).

39.3.3. The Company Executive Management Team should ensure assigning of secondary Custodian to the cheque books for emergencies were the Custodian is not available (sick, vacation, etc).

39.3.4. The cheque books Custodian should report on a daily basis (or after the issuing of a cheque paper) to the Treasury Manger the number of remaining cheque papers.

39.3.5. All extra cheque books should be kept in the safe with the Treasury Manager and issued to the Custodian as per the internal request for cheque book, policies and guidelines.

39.3.6. The Cheque Book should be kept by the Custodian in secured custody location, and protected against damage, theft or inappropriate use. Any cases of theft should be immediately reported to the Treasury Manager.

Requesting Cheque Book (Internal)

39.3.7. The designated Custodian (for each business purpose) will initiate the requirement of check book by filling a new cheque book request and submit it to the Treasury Manager.

39.3.8. The cheque book Custodian should ensure that all supporting documents are attached with the cheque book request in order to facilitate the validation process; supporting documents are the consumed check copies.

Reviewing Cheque Book Request (Internal)

39.3.9. The Treasury Manager should ensure retrieving and validating the used cheque books before approving the issuance of a new cheque book.

39.3.10. The Treasury Manager should ensure obtaining proper handling for the cancelled cheques; all cancelled cheques should be stamped as cancelled by the custodian.

39.3.11. The retrieving process should cover the following (but not limited to):

- All cheques are used
- All cheques were submitted to the beneficiaries (if possible)
- Comparing all issued cheques with system check register

Requesting Cheque Books (from Bank)

39.3.12. The Treasury Manager should ensure that all supporting documents are attached with the cheque book request in order to facilitate the validation process.

39.3.13. Based on the approved request, the Treasury Manager is the only authorized entity to order cheque books from Banks.

39.3.14. The Treasury Manager should ensure that the available cheque books (for all bank accounts) is enough and satisfies the Company requirements; keeping into consideration the lead time needed to order a new cheque book.

Approving Cheque Book Request (Internal and from Banks)

39.3.15. The Company should ensure that all internal or Bank cheque book requests are approved by the VP Finance after completing all the necessary hardcopy validation as well as in the system.

Receiving Check Books (from Banks)

39.3.16. All ordered cheque books (from Banks) should be received by the Treasury Manager through a designated employee.

39.3.17. The employee will be given a formal identification letter (addressed to the bank) for receiving cheque books. The identification letter will be specifically designated for this purpose and released to the employee at the time of cheque book issuance.

39.3.18. The Treasury Manager should ensure that all received cheque books are recorded in the cheque book register, as well as in the Treasury & cash management system.

Monitoring of Cheque Books Distribution

39.3.19. The VP Finance should follow-up on regular basis that all issued cheque books are distributed on a timely manner by the Treasury Manager; as well as the Treasury Manager should conduct a physical count on the distributed cheque books to ensure that all cancelled cheques had been stamped.

39.3.20. Any theft of Cheques books should be reported immediately by the Treasury Manager to the VP Finance and the bank for proper action. Theft should be handled as per the applied rules and regulation in the country.

39.4. Output

39.4.1. The output of this process is an approved or rejected cheque book request, and a check book issued by the bank and recorded by the Treasury Manager.

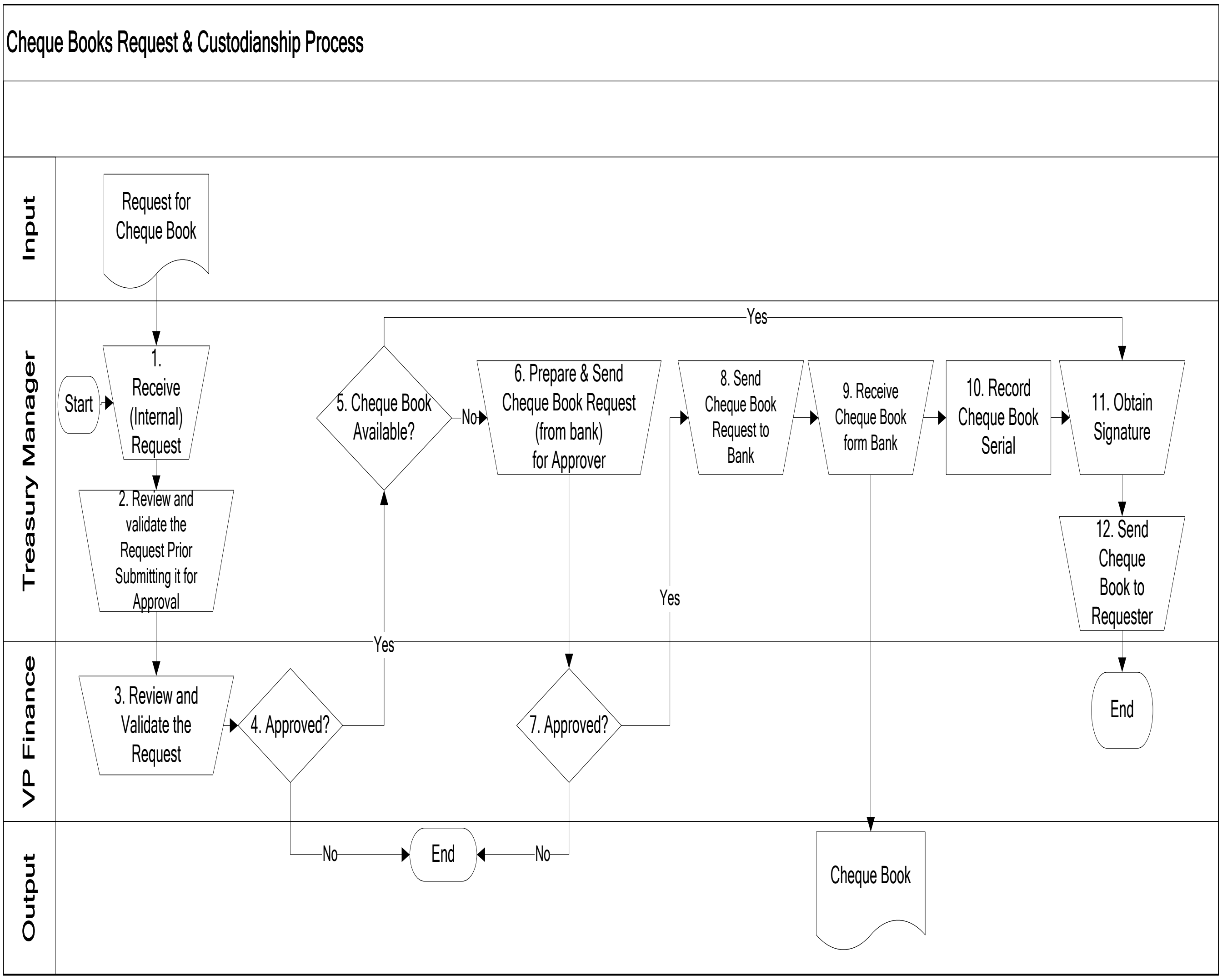
39.5. Related Processes

- None

39.6. Procedure

#	Step	Responsibility	Document
1.	Receive internal request for cheque book	Treasury Manager	Internal Cheque Book Request
2.	Review and validate the request prior submitting for approval	Treasury Manager	
3.	Review and Validate the Request	VP Finance	
4.	Approved? If approved request go to (step#5), if not the process will end here	VP Finance	Approved / Rejected Request for cheque book
5.	Cheque book available? If cheque book available go to step (#11), if not go to step (#6)	Treasury Manager	
6.	Prepare and send Cheque Book Request (from bank) for approval	Treasury Manager	External Cheque Book Request
7.	Approved? If approved go to step (#8), if not the process will end here	VP Finance	
8.	Send Cheque Book Request to bank	Treasury Manager	
9.	Receive cheque books from bank	Treasury Manager	
10.	Record received cheque book serial number	Treasury Manager	
11.	Obtain Signature from cheque book requester	Treasury Manager	
12.	Send cheque book to requester	Treasury Manager	Cheque Book

39.7. The Process Flow Chart



40. Bank Reconciliation Process

40.1. Purpose & Objective

40.1.1. The purpose of this policy is to set the controls and the guidelines used for receiving statements of account from Banks, and reconciling them with the company books.

40.1.2. The objective of this process is to ensure that the bank statements are received on a timely basis and accurately reconciled so that it reflects the actual cash position of the Company.

40.2. Input

40.2.1. The input of this process is receiving the bank statement in a hard or soft copy from the bank related to each bank account.

40.3. Policies

Receiving Bank Statement

40.3.1. The Cash Management Officer should ensure receiving or electronically downloading the Bank statement from all Banks accounts on a weekly basis or on as needed basis.

40.3.2. The Cash Management Officer should ensure applying the following to the received Bank Statement:

- List of Deposits (in transit) were made but not recorded (to be added)
- List of Cheques (written) were made to the account but not cleared (to be deducted)
- All bank charges, transfer fees, etc (to be deducted)

40.3.3. All delayed Bank statements should be reported to the Treasury Manager immediately; in order to take corrective actions (if needed).

40.3.4. The bank statement soft copy can be downloaded from the Bank's online website and printed to be used for reconciliation whenever the bank statement is delayed or whenever Treasury Manager wants to reconcile ahead of time.

Reconciliation of Bank Statements

40.3.5. The Cash Management Officer should ensure the accuracy of the bank statements, and to contact the bank immediately in case of any major errors other than normal reconciling items.

40.3.6. The Cash Management Officer will be responsible for reconciling the Bank statement against records in the company books (Ledger); this should be prepared for each bank and bank account on monthly basis.

40.3.7. Whenever possible, the Bank will be advised to provide the requirement for electronic bank reconciliation including numbering the cash or cheque deposits for identification and matching purposes

40.3.8. Reconciling items (i.e. outstanding cheques (issued or deposited) and deposits in transit should be clearly identified; this should be done by comparing the following elements:

- Value
- Currency
- Bank and Bank Account
- Date
- Depositor or Beneficiary

40.3.9. Reconciling Items that have long outstanding should be investigated by the Cash Management Officer and necessary actions should be taken accordingly.

40.3.10. Bank reconciliation activities should be completed for a single bank account within one business working day from the day the bank statement is received.

Approving Bank Reconciliation Report

40.3.11. If no reconciling items are between the Bank statement and the Cash Management Transaction Report, the Cash Management Officer should submit the report to the treasury manager for approval

40.3.12. The Treasury manager should receive and validate the bank reconciliation report and the bank statement in order to stamp as approved and file it.

Reconciling items

40.3.13. If there is reconciling items between the Bank statement and the Cash Management Transaction Report, the Cash Management Officer should conduct an investigation regarding this transaction and perform a subsequent event clearance in the following month bank statement received or recommend a corrective action.

Approving Adjustable Mismatched Transactions

40.3.14. Once reconciliation is reviewed and validated by the Cash Management Officer, it should be forward with all adjustment actions (need to be taken) to the Treasury Manager.

40.3.15. The VP Finance should approve all adjustment actions for mismatched transaction prior taking them.

Applying Adjustment Actions

40.3.16. If the mismatch required internal adjustment; the Cash Management Officer should contact the concerned sub-ledger Accountant to adjust payables or receivables entry.

40.3.17. If the mismatch required adjustment from the Bank; the Cash Management Officer should communicate with the related Bank for this purpose.

40.3.18. The Cash Management Officer should ensure applying all agreed adjustment actions within one business working day as a requirement to re-perform the reconciliation.

40.4. Output

40.4.1. The output of this process is a reconciled bank statement with identified mismatches; another output to this process is approved Cash Management Transaction Report, and reconciled entries in the system.

40.5. Related Processes

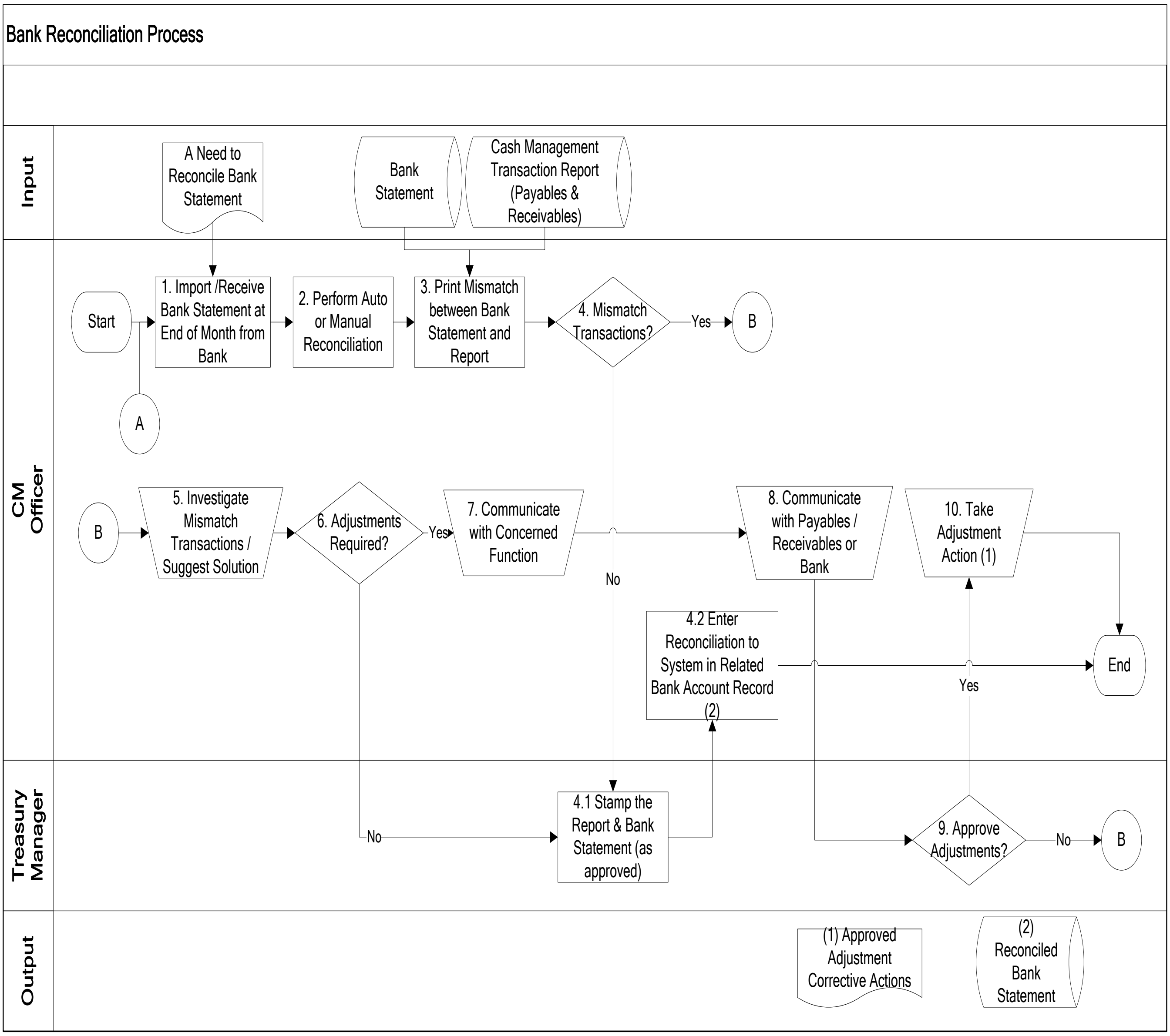
- None

40.6. Procedure

#	Step	Responsibility	Document
1.	Import / receive Bank Statement at the end of the month from bank	Cash Management Officer	Bank Statement
2.	Perform auto reconciliation	Cash Management Officer	
3.	Print mismatch between Bank Statement and Cash Management Transaction Report	Cash Management Officer	Mismatch Report
4.	Mismatch transaction? If there is mismatch in the transactions go to step (#5), if not go to step (#4.1)	Cash Management Officer	
4.1	Stamp the Report and Bank Statement as approved	Treasury Manager	
4.2	Enter Reconciliation to System in Related Bank Account Record, then process ends here	Cash Management Officer	
5.	Investigate reasons of mismatch and suggest solutions	Cash Management Officer	Approved Bank Statement
6.	Adjustments required If adjustment required go to step (#7), if not go to step (#4.1)	Cash Management Officer	
7.	Communicate with concerned function	Cash Management Officer	
8.	Communicate with Receivables, Payables or Bank for required adjustment	Cash Management Officer	
9.	Approve adjustment? If the required adjustment approved go	Treasury Manager	

	to step (#10), if not go to step (#5)		
10.	Take corrective/adjustment action, then process end	Cash Management Officer	

40.7. The Process Flow Chart



41. Cash Flow Forecasting Process

41.1. Purpose & Objective

41.1.1. The purpose of this policy is to set the controls and guidelines used for cash forecasting.

41.1.2. The objective of this process is to forecast cash flows and ensure short-term and long term liquidity at all times for business requirements.

41.2. Input

41.2.1. The input to this process is the need to manage the cash inflow / outflow on a regular basis to ensure sound financial position.

41.3. Policies

Maintaining Cash Flow Forecast Report

41.3.1. The Cash Management Officer should maintain the Cash Flow Forecast process by monitoring the cash inflow & outflow for the Cash Forecast period.

41.3.2. The Cash Flow Forecast Report should consist of:

- Opening Cash Balance
- Closing Cash Balance
- Cash Shortage / Overage
- Cash on hand
- Cash receipts
- Total cash receipts
- Cash paid out
- Total cash paid out

- Cash position

- Rows: Will show the items for the expected cash inflows / outflows.

- Columns: Will show the periods in which the cash inflow / outflow will occur.

41.3.3. This Cash Flow Forecast Report – as a result of cash flow forecasting - should be prepared and reviewed by the Cash Management Officer on regular basis or based on the Executive Management Team requirement.

41.3.4. The Cash Flow Forecast Report will be the major input in the cash disbursement activities, i.e. selecting the appropriate bank to disburse money from, to the supplier / beneficiaries.

Types of Cash Flow Forecast (Columns)

41.3.5. Three types of cash forecasts should be maintained by the Cash Management Officer, including:

- Short Term (covering at least 6 weeks). The short-term cash forecast should be updated on a weekly basis to facilitate short-term cash flow planning and decision-making.

- Medium Term (covering three months to one year). The medium-term cash forecast should be updated on a monthly basis to facilitate medium-term cash flow planning and decision-making.

- Long Term (covering over a year). The long-term cash forecast should be updated on quarterly basis to facilitate long term cash flow planning and decision-making.

Validating and Approving the Cash Flow Forecast Report

41.3.6. The Cash Management Officer should ensure reviewing, validating and approving the Cash Flow Forecast Report, and submitting it to designated approver on a periodic basis in order to assess the financial standing of the company.

41.3.7. The Cash Flow Forecast Report should be approved by the designated approver in terms of accuracy and suitability for the proper financial standing.

41.3.8. The Cash Management Officer should update the Cash Flow Forecast Report according to the received comments (from the approver) and perform the process again.

41.3.9. The Cash Management Officer should ensure to take corrective action (example stopping or delaying certain payment) as a result of the validation activities on the Cash Flow Forecast Report.

41.4. Output

41.4.1. The output of this process is approved Cash Flow Forecast Report, and analysis of the cash position of the Company.

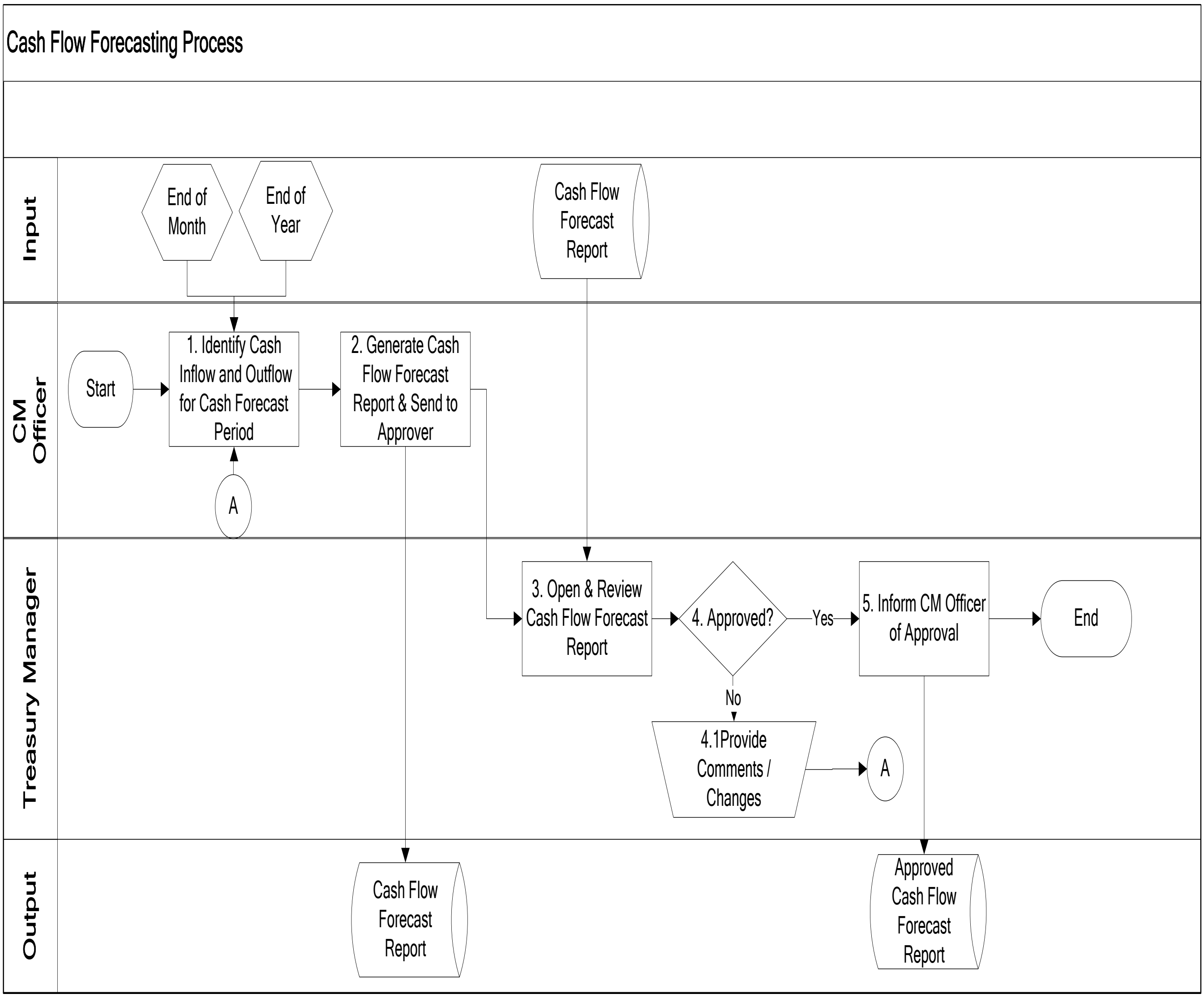
41.5. Related Process

- None

41.6. Procedure

#	Step	Responsibility	Document
1.	Identify Cash Inflow and Outflow for cash forecast period	Cash Management Officer	
2.	Generate Cash Flow Forecast Report & Send to Approver	Cash Management Officer	Cash Flow Forecast Report
3.	Open & review Cash Flow Forecast Report	Treasury Manager	
4.	Approved? If approved go to step (#5), if not go to step (#4.1)	Treasury Manager	
4.1	Provide comments / changes to the report, then go to step (#1)	Treasury Manager	Rejected Report
5.	Inform CM officer of approval, then process end	Treasury Manager	Approved Report

41.7. The Process Flow Chart



42. Cash Disbursement Process

42.1. Purpose & Objective

42.1.1. The purpose of this policy is to set the controls and the guidelines used to process cash disbursement using the selected payment terms and methods.

42.1.2. The objective of this process is to ensure that all disbursement activities are processed accurately, with minimum risks, on a timely manner, through the proper bank account.

42.2. Input

42.2.1. The input to this process is an approved Payment Voucher (PV) prepared by the Accounts Payable Accountant that includes a single or a group of scheduled invoices to be paid.

42.2.2. Another input to this process is an approved Cash Flow Forecast Report as a result of Cash Flow Forecast Process.

42.3. Policies

Initiating Cash Disbursement Activity

42.3.1. The Cash Management Officer should initiate the disbursement activity whenever Payment Voucher is received from the Accounts Payable Accountant.

42.3.2. The Cash Management Officer should review and validate the received documents (PV or Cash Flow Forecast Report) before processing the disbursement activity.

42.3.3. All cash drawers should not be opened unless one of the following incidence occurred:

- Cash to be entered (Hard cash or cheques)
- Cash paid-out

42.3.4. The Cash Disbursement activity will take place to following beneficiaries:

- Supplier (Items / Services)
- Intermediary Bank account (LCs, Bank Transfer for Suppliers)
- Petty Cash Custodian (according to the Petty Cash Reimbursement Form)
- Administrative Purposes (Payroll activities and employee's benefits, etc)

Processing the Cash Disbursement Activity

42.3.5. The Cash Management Officer should define specific Bank account to process the payment from; this should take place in coordination with the Treasury Manager.

42.3.6. The Cash Management Officer will process the Payment Voucher (PV) created by the Accounts Payable Accountant and it should contain all required details regarding the payment (currency, payment method, etc).

42.3.7. All payout activities should be limited to selected purposes and by proper controls as per Treasury Manager Instruction.

42.3.8. The Cash Management Officer should provide the correct supplier / beneficiary name as per the supplier database; the Cash Management Officer is allowed to validate the beneficiary name to obtain the proper spelling or registered name.

42.3.9. Validating the Supplier / beneficiary name should be performed with extreme care and attention due to the high risks (fraudulent acts) involved in this activity.

42.3.10. Once payment are reviewed and validated, the Cash Management Officer should ensure that it has been processed and recorded in the system then submit for approval.

Approving the Cash Disbursement Activity from Designated Signatory

42.3.11. The Cash Management Officer should ensure that all disbursement activities are approved as per the delegation of authority matrix (DoA) approval hierarchy; the approver should perform further revision and validation against the supporting document, and should authorize the disbursement.

42.3.12. The Cash Management Officer should ensure booking all approved disbursement to the system; unapproved payment and unused vouchers / cheques should be voided.

Completing Cash Disbursement Activity

42.3.13. The Cash Management Officer should submit all approved Disbursements to the related beneficiary (supplier, intermediary bank account, or petty cash custodian).

42.3.14. In case of Bank Transfer the Cash Management Officer should notify the related supplier that the agreed amount has been transferred.

42.3.15. The Cash Management Officer should obtain a Disbursement Receipt (signature, confirmation, etc) from the related beneficiary.

42.3.16. The Cash Management Officer in coordination with Executive Management Team should utilize proper delivery for the Cheques to the branches (in case of Petty Cash Replenishment) as well as for supplier that can't collect their cheques from the Company office.

42.3.17. Completing the Cash Disbursement Activity should be performed within one business working day by the Cash Management Officer; as well as obtaining the receipts from the beneficiary.

42.3.18. When the Company cannot pay on time, the Executive Management Team will make the ultimate decision as to where the payment goes and which overdue invoices shall be paid first.

42.3.19. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

42.4. Output

42.4.1. The output of this process is a processed disbursement which will be forwarded to the beneficiary; another output is Disbursement Receipts collected from the beneficiary.

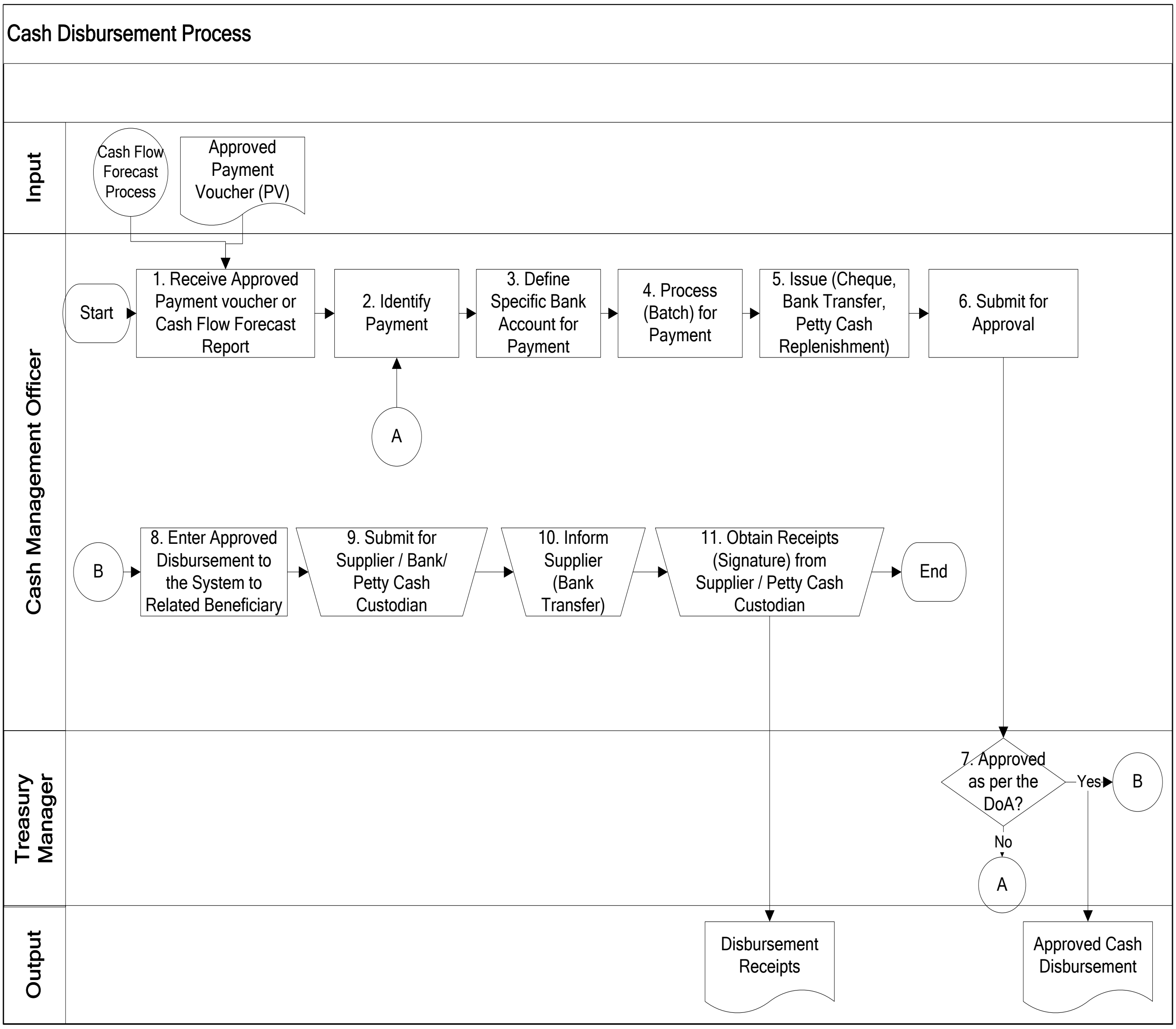
42.5. Related Processes

- None

42.6. Procedure

#	Step	Responsibility	Document
1.	Receive approved PV or Cash Flow Forecast Report	Cash Management Officer	
2.	Identify payments	Cash Management Officer	
3.	Define specific Bank Account for payment	Cash Management Officer	
4.	Process (Batch) for payment	Cash Management Officer	
5.	Issue (Cheque, Bank Transfer, Petty Cash Reimbursement)	Cash Management Officer	
6.	Submit for approval	Cash Management Officer	
7.	Approved? If payment approved go to step (#8), if not go to step (#2)	In Accordance with DoA	
8.	Enter approved disbursement to the system to related beneficiary	Cash Management Officer	Approved Payment
9.	Submit for Supplier / Bank / Petty Cash Custodian	Cash Management Officer	
10.	Inform supplier (Bank Transfer)	Cash Management Officer	
11.	Obtain receipts (Signature) from Supplier / Petty Cash Custodian	Cash Management Officer	Disbursement Receipts

42.7. The Process Flow Chart



43. Cash Handling Process

43.1. Purpose & Objective

43.1.1. The purpose of this policy is to set the controls and the guidelines used for cash handling; this will be done by performing the required reconciliation activities.

43.1.2. The objective of this process is to ensure that cash is handled properly, with minimum risk in order to protect the interest of the company.

43.2. Input

43.2.1. The input to this process is the need to properly handle and control cash movement in the company.

43.3. Policies

Initiating Cash Reconciliation

43.3.1. Relevant Cashier will initiate this process by printing all cash on-hand report for the related Cash Box.

43.3.2. Cash on-hand are categorized as follows:

- Hard Cash (Local currency only “SR”)
- Cheques

43.3.3. Relevant Cashier should reconcile cash on-hand with the Daily Transaction Report and the printed receipts at the end of each shift.

43.3.4. Relevant Cashier should sign the reconciliation results (the cash, Daily Transaction Report and Printed Receipt) prior submitting it to the cash Management officer for further revision and validation.

43.3.5. The Daily Transaction Report should clarify the following data (not limited to):

- Date (Day / Month / Year)
- Cash drawer Location

- Cash drawer Custodian Name
- Customer Payment Method (Hard Cash or Cheques)
- Transaction Number (Receipt Number)
- Variances between cash on-hand and register (if any)

43.3.6. The Daily Transaction Report is a sub-total report which shows all transactions that took place in this day.

Processing Cash Reconciliation

43.3.7. The Cash Management Officer should ensure that no gaps exist in the receipts numbers (System generated); if any was found the cash Management Officer should take immediate investigation.

43.3.8. The Cash Management Officer should reconcile the cash with the issued Receipts in order to sign the Daily Transaction Report (Approved); any discrepancies should be investigated (Deficit or Surplus) with Relevant Cashier.

Cash Reconciliation Discrepancies

43.3.9. The cash Management Officer should take immediate actions whenever a discrepancy takes place either Deficit or Surplus between Daily Transaction Report, the Treasury File (Receipts), and the Cash.

43.3.10. All discrepancies should be reported to the Treasury Manager for required corrective actions.

43.3.11. The Treasury Manager should carry-out a strict investigation for all discrepancies in coordination with Cash Management Officer, Relevant Cashier and Human Resources Department.

43.3.12. All discrepancies investigations should be finalized (by applying the corrective action) within maximum 2 working days.

Daily Deposit Form Process

43.3.13. The Cash Management Officer will be responsible for filling the Daily Deposit Form per Bank and forward it to the Clerk; as well as ensure obtaining the Clerk signature on the Daily Deposit Form as approved.

43.3.14. The Clerk should reconcile the Daily Deposit Form before signing; any discrepancies after signing the Daily Deposit Form will be the responsibility of the Clerk.

43.3.15. The Clerk should deposit all cash received from the Cash management Officer against the Daily Deposit Form in the designated bank and obtain the deposit slip from the bank.

43.3.16. The Clerk should hand all bounced cheques to the Cash Management Officer with proper justification form the relevant bank; the Cash Management Officer should inform the Accounts Receivable Accountant about the details of the transactions in order to be handled accordingly.

Reconciliation of Daily Deposit Form

43.3.17. The Cash Management Officer should reconcile all deposit slips with the Daily Transaction Report in order to file the deposit slip in the Treasury File; any discrepancies should be investigated with the Clerk in coordination with the Treasury Manager and Human Resources Department.

Cash Box Management

43.3.18. The Cash Management Officer ensure that the following controls are enforced:

- The Cash Reconciliation activities are initiated by the end of each day or whenever the Cash exceed 50,000 SAR
- Extreme security measures on cash boxes (location, surveillance system, etc)
- The access of the cash box is restricted to cash box custodian only

43.4. Output

43.4.1. The output of this process:

- Approved (cash acceptance) Daily Transaction Form

- Approved Daily Deposit Form (by Clerk)
- Deposited cash in the bank

43.5. Related Processes

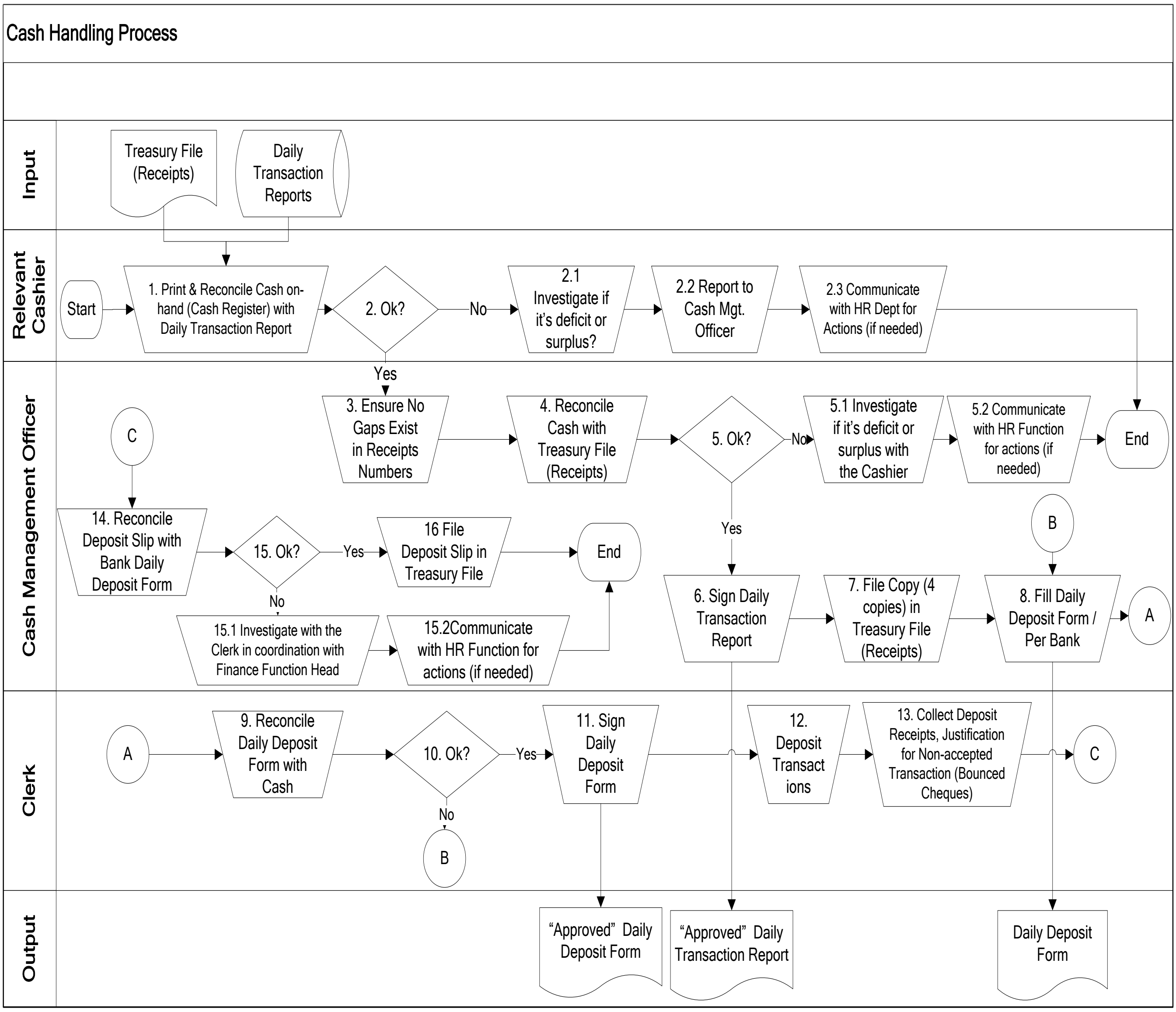
- None

43.6. Procedure

#	Step	Responsibility	Document
1.	Print & reconcile Cash on- hand (Cash Register) with Daily Transaction Report	Cashier Function	
2.	Ok? If it's ok (reconciled) go to step (#3), if not go to step (#2.1)	Cashier Function	
2.1	Investigate if it's deficit or surplus?	Cashier Function	
2.2	Report to Finance Function Head	Cashier Function	
2.3	Communicate with HR Function for actions (if needed), and the process will end here	Cashier Function	
3.	Ensure no gaps exist in receipts numbers	Cash Management Officer	
4.	Reconcile cash with Treasury File (receipts)	Cash Management Officer	
5.	Ok? If it's ok (reconciled) go to step (#6), if not go to step (#5.1)	Cash Management Officer	
5.1	Investigate if it's deficit or surplus with the Cashier	Cash Management Officer	
5.2	Communicate with HR Function for actions (if needed), and the process will end here	Cash Management Officer	
6.	Sign Daily Transaction Report	Cash Management	Approved Daily Transaction Report

#	Step	Responsibility	Document
		Officer	
7.	File copy in the Treasury File	Treasury Function	
8.	Fill Daily Deposit Form / per bank	Cash Management Officer	Daily Deposit Form
9.	Reconcile Daily Deposit Form with Cash	Clerk	
10.	Ok? If it's ok (reconciled) go to step (#11), if not go to step (#8)	Clerk	
11.	Sign Daily Deposit Form	Clerk	Approved Daily Deposit Form
12.	Deposit transactions	Clerk	
13.	Collect Deposit Receipts, Justification for Non-accepted Transaction (Bounced Cheques)	Clerk	
14.	Reconcile Deposit Slip with Bank Daily Deposit Form	Cash Management Officer	
15.	Ok? If it's ok (reconciled) go to step (#16), if not go to step (#15.1)	Cash Management Officer	
15.1	Investigate with the Clerk in coordination with Finance Function Head	Cash Management Officer	
15.2	Communicate with HR Function for actions (if needed), and the process will end here	Cash Management Officer	
16.	File Deposit Slip in Treasury File, then process end	Cash Management Officer	

43.7. The Process Flow Chart



44. Letter of Credit Management Process

44.1. Purpose & Objective

44.1.1. The purpose of this policy is to set the controls and the guidelines used for managing the opening, maintenance and closing of Letters of Credit (LC's) accounts.

44.1.2. The objective of this process is to ensure that opening, maintenance and closing of the required LC's has been processed in a timely manner; satisfying the Purchasing department and the supplier.

44.2. Input

44.2.1. The input to this process is the LC agreement which is negotiated between the Purchasing Function, the Accounts Payable Accountant and the supplier.

44.3. Policies

LC Application

44.3.1. Originally, a Letter of Credit is a letter addressed by the company's bank to the supplier's bank stating that they could vouch for the company, and that they would pay the seller in case of the company's default

44.3.2. Letters of Credit should be formatted to provide fill-in spaces for the various requirements of international or domestic business. It should be written by the company approved bank on behalf of the company, whose application for the line of credit has been approved. The parties involved in the Letter of Credit process are:

- The buyer (the company)
- The buyer's bank (the issuer)
- The beneficiary (the seller/payee)
- The beneficiary's bank.

44.3.3. Based on the supplier requirements, the company should open one of the following types of LC's (not limited to):

- Back-To-Back Letter of Credit
- Irrevocable Letter of Credit
- Stand by Letter of Credit
- Confirmed Letter of Credit
- Cash Advance Letter of Credit

Back-to-Back Letter of Credit

44.3.4. Back-to-back letters of credit are two individual letters of credit that together offer an alternative to a transferable letter of credit. The back-to-back letter of credit allows exporters (sellers or middlemen) who do not qualify for unsecured bank credit to use a letter of credit as security for a second letter of credit in favour of a supplier.

Irrevocable Letter of Credit

44.3.5. An irrevocable letter of credit requires the consent of the issuing bank, the beneficiary and applicant before any amendment, modification or cancellation to the original terms can be made. This type of letter of credit is commonly used and preferred by the exporter or beneficiary because payment is always assured, provided the documents submitted comply with the terms of the letter of credit. Irrevocable letters of credit can be both confirmed and unconfirmed.

Standby Letter of Credit

44.3.6. Unlike a commercial letter of credit, which is basically a payment mechanism, a standby letter of credit is a form of a bank guarantee. It may be used as necessary to cover non-payment of a financial obligation. A standby letter of credit normally is intended to be drawn on only in the event of non-payment. The standby letter of credit is issued by the bank and held by the seller, who in turn provides the customer open account terms. If payment is made according to the seller's terms, the letter of credit is never drawn on. However, if the customer is unable to pay, the seller presents a draft, and all other documents as required, to the bank for payment. The standby letter of credit typically expires within 12 months.

Confirmed Letter of Credit

44.3.7. A confirmed letter of credit is when a second guarantee is added to the document by another bank. The advising bank, the branch or the correspondent through which the issuing bank routes the letter of credit, adds its undertaking and commitment to pay to the letter of credit. This confirmation means that the seller/beneficiary may also look to the credit worthiness of the confirming bank for payment assurance.

Cash Advance Letter of Credit

44.3.8. A cash advance against a letter of credit works like back-to-back letters of credit, with the exception that the bank or financing company will issue cash to the suppliers instead of another letter of credit.

Preparing LC Application

44.3.9. The Accounts Payable Accountant will initiate this process by filling the LC Application as per the agreements with the concerned parties (Purchasing and supplier).

44.3.10. The Accounts Payable Accountant should ensure to include the following information in the application for the LC:

- Name of supplier, address, country, material
- Specifications of items, quantity, currency, unit price
- Any other required documentation as per the bank's instructions

Processing the LC

44.3.11. The Loan & Facilities Management Officer should select the bank to open LC based on the Company designated banks depending on the level of debt with these banks.

44.3.12. The following accounts should exist in the chart of accounts in order to manage LCs opening process:

- Margin on LCs

- Goods In-Transit
- Bank
- Inventory

44.3.13. The maturity date on a Letter of Credit is the date on which the full value of the credit is payable.

44.3.14. Before LC maturity, the Cash Management Officer should assess the Company liquidity to either pay off the LC amount or apply for a loan to finance the LC. This assessment should be coordinated with the Treasury Manager and the VP Finance in order to approve and schedule payments.

44.3.15. If a decision is made to finance the LC, a Loan application should be prepared by Credit Control Officer this should take place as per Loan Request Process polices and guidelines.

44.3.16. The Credit Control Officer should ensure opening an LC account in the system to record the LC transactions. This should be done upon selecting the bank.

44.3.17. The Credit Control Officer should specify the conditions of the LC, which may include insurance forms, Way Bills, Bills of Lading, Customs forms, various certificates - i.e. whatever documents are necessary to safeguard the integrity of the purchased product or service

44.3.18. The Insurance Officer will check whether or not insurance is required based on the terms and type of the LC; if the insurance is required, the Insurance Officer should contact the insurance company (in coordination with Purchasing Department) in order to use the already existing cover of marine insurance for the LC.

44.3.19. The Insurance Officer will fill in the LC Insurance form to be used and sent to the insurance company dealt with (in coordination with Purchasing Department).

44.3.20. It is the responsibility of the issuing bank to ensure, on behalf of the company, that all documentary conditions have been met before the Letter of Credit funds are released.

44.3.21. The Letter of Credit may be written for a short period of time, covering one shipment of goods, or may be written for a greater amount and for a longer

period of time in order to cover, a year's worth of shipments (a valid Letter of Credit should not carry the term "one year and one day").

Approving LC's Application

44.3.22. All LC's Applications should be validated and approved in accordance with the delegation of authority matrix (DoA); all rejected LC's Applications should be filed by the Credit Control Officer.

Monitoring of LC's

44.3.23. The Credit Control Officer should ensure having a LC sub-account linked to Goods In-Transit for every opened LC; as well as Margins on LC's main accounts should be opened in the system for every opened LC.

44.3.24. For every LC opened a file must be created to include all documents related to that LC from its inception to its closure. The file should show each shipment individually and a costing sheet for each individual shipment received.

Amending of LC's

44.3.25. The Loan and Facilities Management Officer will be responsible for performing all amendments to the opened LC's; amending LC can take place for example if any changes take place between the supplier and the Company (value, dates, etc).

44.3.26. Amending an LC should be supported with valid justification either from the Company (example Purchasing Department) or the supplier.

44.3.27. All required amendments should be validate and approved by the designated approver prior amending.

Closing of LC's

44.3.28. The Credit Control Officer should review shipping documents received from the bank before submitting them to custom clearance. Items to review include: quantity and model, price and certificate of origin.

44.3.29. If shipment arrives before documents the Loan & Facilities Management Officer should prepare a Shipping Guarantee signed by the issuing bank and the Company in order to avoid any demurrage charges.

44.3.30. The Loan & Credit Control Officer should ensure closing the LC in the system and with the corresponding back as soon as the goods arrive and the transaction is concluded.

44.3.31. All financial transactions generated as a result of sub-ledgers activities will be automatically transferred to the General Ledger on scheduled basis.

44.4. Output

44.4.1. The output of this Process is approved LC processed by the bank and in the system; this LC will be closed upon concluding the shipping transaction and receiving the shipping documents from the bank.

44.5. Related Processes

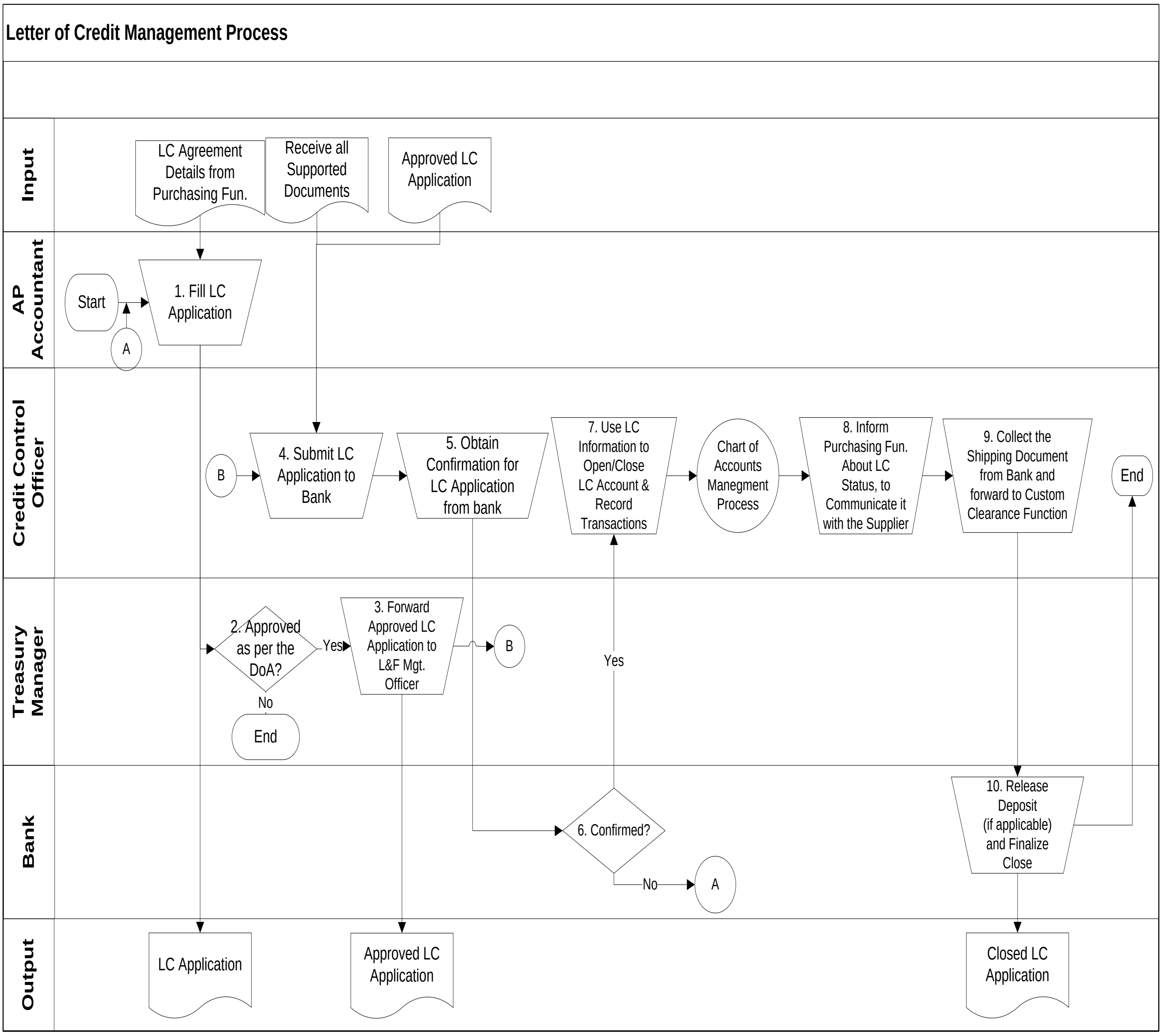
- General Ledger Chart of Accounts Management Process

44.6. The Process Flow Chart

#	Step	Responsibility	Document
1.	Fill Letter of Credit Application	Accounts Payable Accountant	LC Application
2.	Approved? If approved go to step (#3), if not the process will end here	In Accordance With DoA	
3.	Forward approved LC Application to Credit Control Officer	Treasury Manager	Approved LC Application
4.	Submit LC Application to bank	Credit Control Officer	
5.	Obtain confirmation for LC Application from bank	Credit Control Officer	
6.	Confirmed? If confirmed go to step (#7), if not go to step (#1)	Bank	

7.	Use LC information to open/close LC account & record transactions	Credit Control Officer	
8.	Inform Purchasing Fun. about LC status, to communicate it with the supplier	Credit Control Officer	
9.	Collect the shipping document from bank and forward to Custom Clearance Function	Credit Control Officer	
10.	Release deposit (if applicable) and finalize close	Credit Control Officer	Closed LC Application

44.7. The Process Flow Chart



45. Loan Request Process

45.1. Purpose & Objective

45.1.1. The purpose of this policy is to set the controls and the guidelines used to request loan from bank.

45.1.2. The objective of this process is to ensure creating, validating and approving all loan requests with proper controls and in a timely manner.

45.2. Input

45.2.1. The input to this process is an agreed decision from the Executive Management Team, VP Finance, and Treasury Manager to obtain a loan from a certain bank as a result of the Treasury Manager Recommendation based on the company cash flow and financial analysis.

45.3. Policies

Loan Request

45.3.1. The Treasury Manager should identify and assess the company cash position on monthly basis, a deep analysis and projection should be performed by the Treasury Manager by utilizing and analyzing available information (the statement of cash flow, Cash position report, cash flow forecast) in order to recommend for obtaining a loan from an approved bank:

- Short-Term Loan
- Long-Term Loan

45.3.2. Based on the analysis of company cash position and cash flow forecast, The Treasury Manager should fill a loan request and submit it for approver.

45.3.3. All submitted Loan request (short and long term), which will cause the company to become indebted, should be inline with the company's cash flow forecasts / budgets and should be authorized and approved in accordance with the Delegation of Authority Matrix (DOA)

45.3.4. The Loan Request should include the following details (but not limited to):

- Loan Amount
- Loan Nature(Long, Short)
- Justification/Reason
- Interest
- Supporting Documents

45.3.5. The Treasury Manager should review and validate all Loan Requests prior submitting them for approval.

Processing Loan Request

45.3.6. All approved Loan requests should be forwarded to the Loan & Facilities Management Officer in order to process the request and to obtain the best available offer.

45.3.7. The Loan and Facilities Management Officer should have a list of the company's approved banks, which the company maintains a good relation with, the Loan and Facilities Management Officer should keep the approved banks list updated.

45.3.8. The Loan and Facilities Management Officer should at least approach three "3" Banks of the company approved banks, the Credit Control Officer should request an information about the bank Loan facilities services.

45.3.9. The Credit Control Officer is responsible to evaluate the different funding options and negotiates with the banks for all long and short-term funding required for AAC operations.

45.3.10. The Loan and Facilities Management Officer is responsible to perform a comparison between the banks Loan Facilities in order to select the bank that is offering the best terms and conditions "agreement":

- Loan Amount
- Loan Interest Rate

- Loan Period to be paid
- Other bank Facilities

45.3.11. The Comparison result should be communicated with the Treasury Manager in order to obtain his approval.

45.3.12. Based on selecting/approving proposed banks, the Loan & Facilities Management Officer should fill and obtain selected bank loan's Application, the submission of the Bank Loan application should be completed with in 1 working day.

45.3.13. The Loan and Facilities Management Officer should provide the bank with all required documents and information, that information might include:

- Projected Financial Statement for the Coming 3-5 years
- Paid up Capital Amount
- Mission and Vision

45.3.14. The Loan and Facilities Management Officer will be responsible for submitting the Loan Request to the selected Bank as well as follow up with the Bank for response.

45.3.15. The Loan & Facilities Management Officer is responsible for receiving the banks response regarding the Loan request.

45.3.16. If the Bank accepts the Loan Request the Loan & Facilities Management Officer should ensure receiving Loan Statement from the Bank for granting the Loan.

45.3.17. In case of Loan rejection the Loan and Facilities Management Officer should return to the comparison sheet and identify the second best offer and resubmit the application.

45.3.18. Based on obtaining and approving the funding agreement the Loan and Facilities Management Officer is responsible for:

- Monitor and ensure compliance with the funding agreements.

- Follow up and ensure that all funding arrangements entered by the company are repaid or settled on time in accordance with the funding agreements.

- Ensure that commission rates charged on all borrowings are verified on a monthly basis and are in accordance with the funding agreements.

- Maintain the original copies of all funding agreements in a secure location.

45.3.19. All financial transactions generated as a result of loan granting should be processed as per the GL Manual Journal Entry Process, Policies and procedures.

45.4. Output

45.4.1. The output of this process is approved or rejected Loan Request by the Company designated approver.

45.4.2. If the Company approves the Loan request the output also will be approved or rejected Loan granting by the Bank.

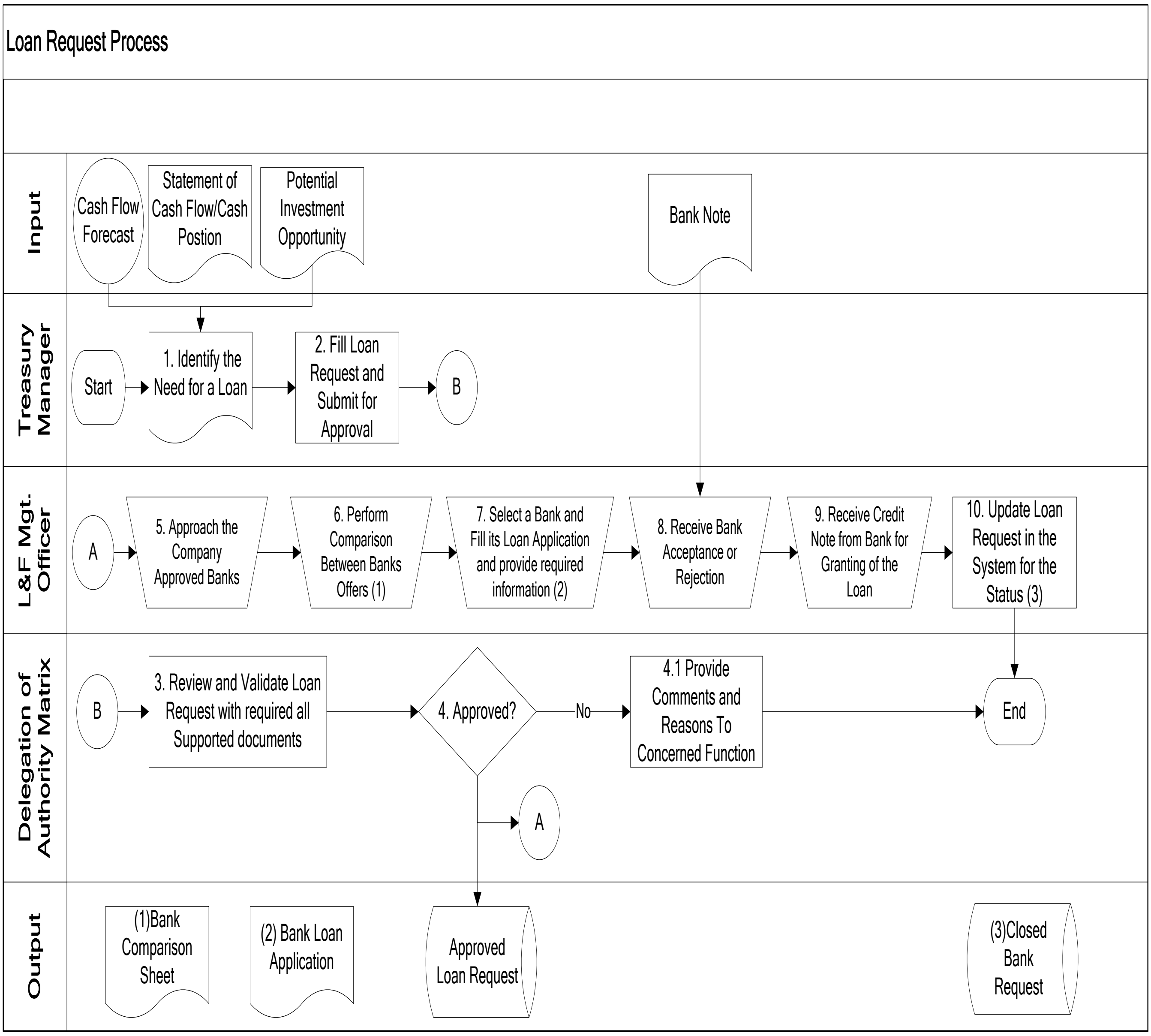
45.5. Related Processes

- Cash Flow Forecast Process

45.6. Procedure

#	Step	Responsibility	Document
1.	Identify the need for loan	Treasury Manager	
2.	Fill Loan Request and submit for approval	Treasury Manager	Loan Request
3.	Review and validate Loan Request with required all supported documents	Delegation of Authority (DoA)	
4.	Approved? If no go to step 8.1 If yes go to step 9	Delegation of Authority (DoA)	Approved Loan Request
4.1	Provide Comments and Reasons To Concerned Functions, then process will end here	Delegation of Authority (DoA)	
5.	Approach the Company Approved Banks	L&F Management Officer	
6.	Perform Comparison Between Banks Offers (1)	L&F Management Officer	
7.	Select a Bank and Fill its Loan Application and provide required information (2)	L&F Management Officer	
8.	Receive Bank Acceptance or Rejection	L&F Management Officer	Bank Acceptance/Rejectio n
9.	Receive Credit Note from Bank for Granting of the Loan	L&F Management Officer	Credit Note
10.	Update Loan Request in the System for the Status (3), then process end	L&F Management Officer	

45.7. The Process Flow Chart



46. Select Insurance Provider Process

46.1. Purpose & Objective

46.1.1. The purpose of this policy is to set the controls and the guidelines used to manage and mitigate all financial risks related to the company by insuring Assets owned by the company.

46.1.2. The objective of this process is to identify the types of risks facing the company operations, in order to determine the suitable insurance policy to be implemented.

46.2. Input

46.2.1. The input to this process is an identified operational risk by the Treasury Manager.

46.3. Policies

Risk Identification

46.3.1. It is the responsibility of the Treasury Manager to identify all risks to the operations of the Company and to take appropriate mitigation steps to manage the risks identified, which include external insurance cover or other risk management techniques.

46.3.2. As a general policy, conceivable risks to the company should be covered by an insurance policy. Yet, this could prove to be expensive and is normally necessary. As such and as a general guideline, conceivable risks can be divided as follows:

- **Imperative:** These are the risks which would impair the company existence, such as the destruction of main assets or circumstances that would seriously impair the company ability to operate effectively. Examples include but are not limited to insuring the plant, inventory etc...
- **Statutory:** These comprise of insurance coverage that is required by law, such as medical insurance for the company employees or motor vehicle insurance.
- **Advisable:** These include risks that could be costly that includes theft, and life/accidents to the company personnel.

- **Others:** These are minor risks to the company that needs to be considered whether they are worthwhile to insure against.

Insurance Assessment

46.3.3. The decision whether to insure externally should be based on an assessment of:

- The impact of the risk on the operation and existence of the company;
- The risk of financial loss;
- Other steps taken or available to mitigate the anticipated risk;
- The likelihood of the anticipated risk event or loss happening;
- The cost of insuring, taking into consideration the above four factors;
- Legal requirements to insure e.g. employer's liability.

46.3.4. The Treasury Manager should take a proactive approach, based on loss prevention rather than loss control. This should consider associated costs in defining the most cost effective way to reduce the risk event or loss occurring, and minimizing any loss should it occur.

46.3.5. The Company Assets should be insured based on the replacement cost. Considerations should be given to their tear and wear, and obsolescence.

Insurance Requisition (Internal)

46.3.6. Based on the identification of the required insurance coverage for each potential operational risk, the Treasury Manager should fill an internal requisition form as per the requisition process policies and procedures specifying the required insurance coverage plus potential risk description and submits it for approval.

46.3.7. The Vice President of Finance should receive and review submitted insurance requisition. Upon approving insurance requisition the VP Finance should forward reviewed insurance requisition to the company president for final approval.

46.3.8. The Company President should receive and approve insurance requisition in order to contact the Purchasing Function for execution purposes.

46.3.9. Approved insurance requisition should be forwarded to the Treasury Manager in order to submit approved requisition to the Local Purchasing Function.

46.3.10. The Purchasing Function is responsible for executing the insurance requisition as per the Quote Generation and Analysis Process. The Treasury Manager should receive a quote comparison sheet from the purchasing function in order to select the best insurance Provider.

Insurance Provider Selection

46.3.11. It is the responsibility of the Treasury Manager to identify and select a reputable insurance provider to provide the necessary insurance coverage, and where possible to keep all insurance with one insurer in order to maximize the availability of discounts. Criteria to consider in evaluating and selecting an insurance provider include:

- Competitive pricing of services;
- Geographical coverage;
- Services offered by the insurance provider;
- Response time; and
- Financial status and reputation of insurance provider.

46.3.12. The insurance provider selected should be reviewed annually against other insurance providers in the market to ensure that the best and most competitive deal is being obtained.

46.3.13. All items to be included in any application for insurance should be adequately verified prior to processing and generation of the insurance policy.

46.3.14. The Insurance Officer should maintain a detailed and up-to-date list of all insurance coverage held by Company. The list should also detail renewal dates and be reviewed regularly to ensure that all insurance policies are valid and premiums are being paid.

The company should at least seek for obtaining the following insurance policies:

- **Property risks policy**: This policy protects physical property and equipment against risk of theft, fire, or other perils; all risks coverage.

- **Loss of profit policy**: Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".

- **Machinery breakdown policy**: Insurance covering any unforeseen and sudden physical loss or damage caused by defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers physical explosion, short circuit, etc.

- **Marine cargo coverage policy**: Marine cargo insurance covers the risk of loss, damage, expense and liability to the subject matter insured during transportation as cargo from one place to another. For example, from a factory located inland to the seaport and then across the seas to the final destination. The process of transportation includes airfreight, ocean freight and overland carriage.

- **Private and Commercial vehicle policy**: This policy covers own damage, fire and theft, personal accidents inside the vehicle and covers third party bodily injury, death and property damage.

- **Heavy machine policy**: This type of insurance covers all the company heavy machines movable and non movable against all risks excluding machinery breakdown.

- **Fidelity guarantees policy**: Covers loss of monies or goods belonging to the custodians or for which they are responsible as a result of any act of fraud or dishonesty.

- **Money policy**: This policy covers loss of money while in transit, in the custody of collectors, on the site or on premises

- **Public liability policy**: This policy covers third party liabilities arising out of operation involving death or bodily injury and /or property damage including product liability and property under care custody of control of the insured.

- **Workmen's compensation policy**: covers accidental injury to workmen whilst engaged in service.

- **Head Office Property risks policy**: This policy protects the company H.O and its contents against loss from theft, fire, or other perils; al risks coverage.

- **Health Insurance policy**: Our health insurance program renders set of benefits (Medical and Hospital) to all the company employees and their beneficiaries (out patient ,in patient , pre-existing and chronic, optical care, dental care, emergency abroad , evacuation and repatriation)

46.4. Output

46.4.1. The output of this process is a risk free atmosphere with in and outside the organization

46.5. Related Processes

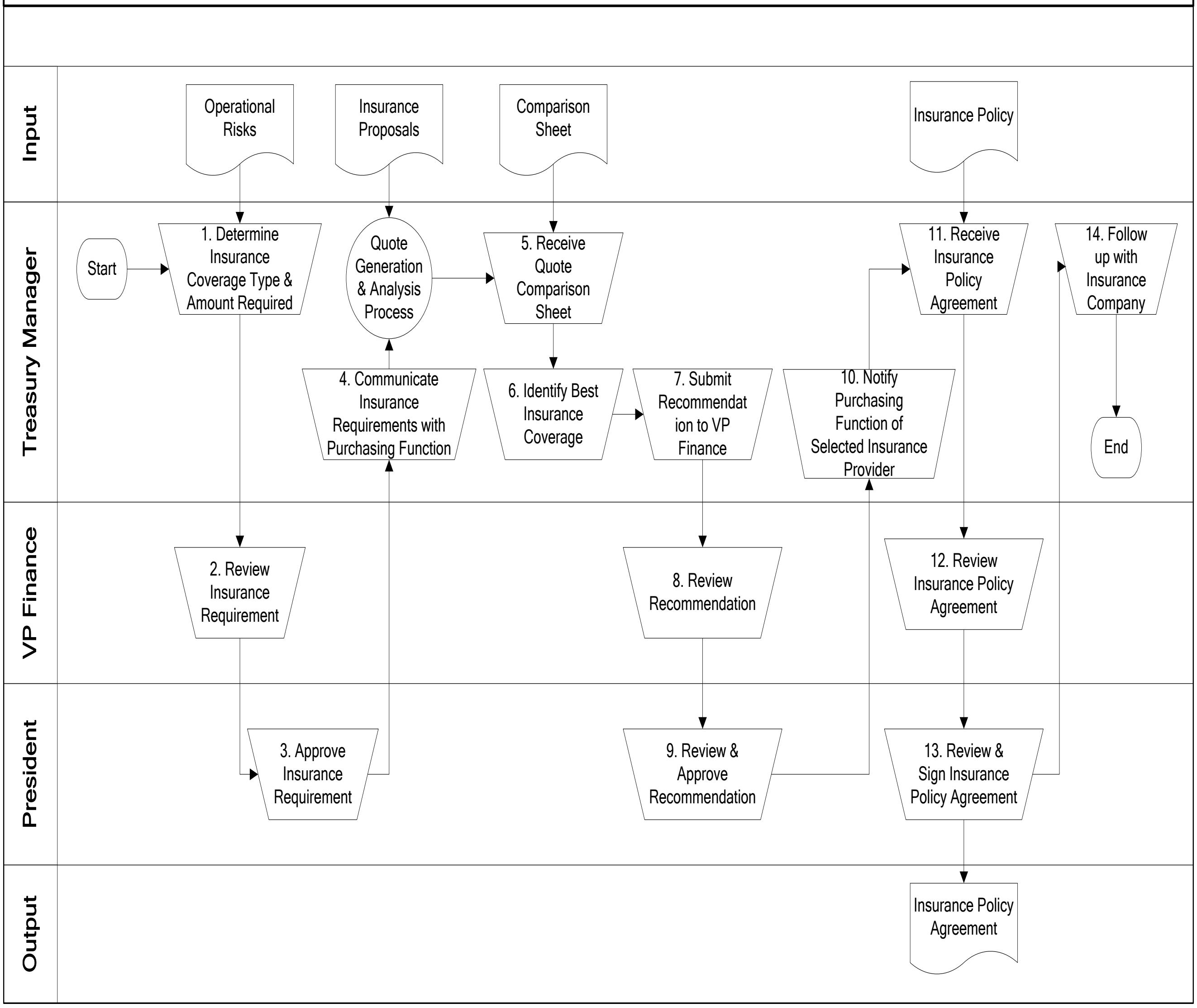
- Employee Medical Insurance Policy

46.6. Procedure

#	Step	Responsibility	Document
1.	Determine insurance coverage type and amount required and fill insurance requisition	Treasury Manager	Insurance Requisition
2.	Review insurance requirements	VP Finance	
3.	Approve insurance requirements	President	
4.	Communicate Insurance Requirements with Purchasing Function	Treasury Manager	
5.	Receive Quote Comparison Sheet	Treasury Manager	
6.	Identify Best Insurance Coverage	Treasury Manager	
7.	Submit Recommendation to VP Finance	Treasury Manger	
8.	Review Recommendation	GM Finance	
9.	Review & Approve Recommendation	President	Insurance Requisition
10.	Notify Purchasing Function of Selected Insurance Provider	Treasury Manager	
11.	Receive Insurance Policy Agreement	Treasury Manger	
12.	Review Insurance Policy Agreement	VP Finance	Approved Requisition
13.	Review & Sign Insurance Policy Agreement	President	Comparison Sheet
14.	Follow up with Insurance Company, then process end here	Treasury Manager	

46.7. The Process Flow Chart

Select Insurance Provider Process



47. Insurance Claim Process

47.1. Purpose & Objective

47.1.1. The purpose of this policy is to set the controls and the guidelines used to claim for insurance compensation as per the insurance policy.

47.1.2. The objective of this process is to ensure that the company insurance claims are processed accurately and on timely basis.

47.2. Input

47.2.1. The input to this process is an insurance claim from the End User Department.

47.3. Policies

Insurance Claim Processing

47.3.1. Any potential insurance claim should be communicated to the Insurance Officer in writing as soon as possible.

47.3.2. For any potential insurance claim, the Insurance Officer should verify whether there is a right of recovery under the existing policy and, raise preliminary questions to determine whether the claim will be accepted or rejected by the insurance provider. The Insurance Officer should verify that:

- The insurance policy was in force;
- The risk that caused the loss was covered;
- The property was covered;
- The loss was covered;
- The location was covered.

47.3.3. Careful attention should be paid to dates that may affect the claim process such as policy effective date, date of loss and date of notice.

47.3.4. Once the company is eligible for an insurance claim, the Insurance Officer should send a letter to the concerned insurance provider with the necessary supporting documents to inform the insurance company of the accident.

47.3.5. Claims received during the year should be recorded in the Profit and Loss account when settled.

47.4. Output

47.4.1. The output of this process is an approved processed claim by the company insurance Officer.

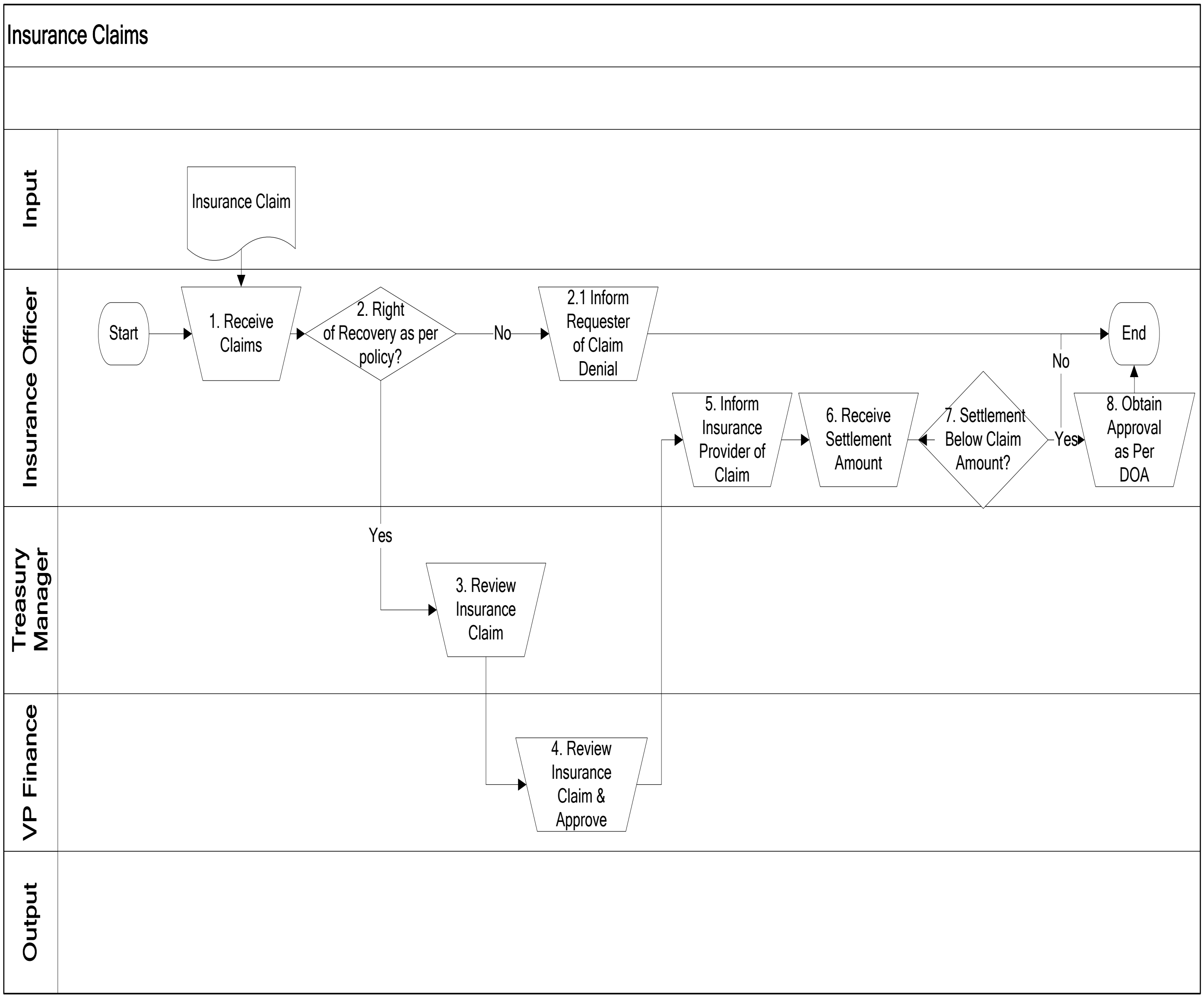
47.5. Related Processes

- None

47.6. Procedure

#	Step	Responsibility	Document
1.	Receive insurance claim in writing	Insurance Officer	Claim
2.	Right of Recovery as per policy? If no go to step 2.1 If yes go to step 3.	Insurance Officer	
2.1	Inform requester of claim denial, then process end	Insurance Officer	
3.	Review insurance claim	Treasury Manager	
4.	Receive and approve insurance claim and forward to insurance Officer for execution	VP Finance	Approved Claim
5.	Inform Insurance Provider of Claim	Insurance Officer	
6.	Receive settlement amount	Insurance Officer	Settlement Amount
7.	Settlement Below Claim Amount? If no process end If yes go to step 8.	Insurance Officer	
8.	Obtain approval as per delegation of authority matrix	DOA	Approved Settlement Amount
9.	End		

47.7. The Process Flow Chart



IV. FORMS